ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 171 Number 4904 | New York, N. Y., Thursday, May 4, 1950 | Price 30 Cents a Copy

EDITORIAL

As We See It

Communists and Communists: Then and Now

There appears to be a very considerable confusion in the mind of the public concerning the "disclosures" of the committee of Congress which has been hearing Messrs. Budenz, Browder, Field, Lattimore, and others. It still appears to a good many that Senator McCarthy at times at least has been reckless in making his charges, and it is still an open question whether he can really make any of them stick, although some of the testimony which has of late been forthcoming seems to give them rather more substance in some instances at least than had been anticipated. At any rate, it is clear now that a full inquiry into all these goings on is essential.

But it is not to these aspects of the situation that we at this point refer. The state of affairs as it has been revealed to date, quite regardless of whether this or that individual has really been guilty of treason or related crimes now often called by softer names, is cause enough for uncertainty and, indeed, real concern, in all conscience. It may never be possible to determine with finality precisely how much of all this talk of communist "cells" in this, that and the other governmental agency as well as in numerous influential private or semi-private organizations has a basis in truth. It may never be possible to demonstrate beyond reasonable doubt whether this or that individual took an active and knowing part in the work of such subversive groups, assuming their existence. It certainly will on more than one occasion be difficult to demonstrate whether this individual or that organization was under the dominating influence of groups

Continued on page 32

Strategy for Combating Federal Budget Bulge

By EDWIN G. NOURSE*

Former Chairman, Council of Economic Advisers

Asserting we can't correct the budget bulge if we raise military expenditures "every time Joe Stalin throws a scare into us," former Presidential economic adviser warns slipping into deficits is threatening our industrial security. Holds building up military machine at expense of sound economy is dangerous. Urges tightening our belts on domestic front and creating industrial peace. Points out state of economic morale of public is not high and advocates bringing our external and internal expenditures into balance with productive capacity.

When I learned of the proposed title for this session—The Battle of the Budget Bulge—I was struck by its suggestiveness and pleased to echo it in the title of my remarks. I recall very vividly that, when our papers and radio carried the news of the break-through at Bastogne, many fireside generals and military amateurs began clamoring for an immediate containment. Then, as day followed day without news that the enemy had been routed, they registered fear verging on panic. It was much like the vicarious athletes in the bleachers at a football game who yell "Hold that line!" "Don't give an inch!" "Throw 'em back!" But more is needed than mere protest to overcome a dangerous military thrust or a threatened gain by the opposing team. It takes coolness, method, and competent strategy.

Edwin G. Nourse

I had the privilege of hearing General Marshall, after the end of the war, using this very incident of "the Bulge" to illustrate his problem of diplomatic strategy in his new post as Secretary of State. He explained how the high com-

Continued on page 15

*An address by Dr. Nourse at the 38th Annual Meeting of the Chamber of Commerce of the United States, Washington, D. C., May 2, 1950.

The Disastrous Middle Of the Road Policy

By LUDWIG von MISES

Professor of Economics, New York University
Leader of the so-called Austrian School of Economists

Noted economist maintains Interventionism is not golden mean between capitalism and socialism, but a third system of transforming capitalism into socialism by series of successive steps differing from communism only in tactics. Declares evolution of income and inheritance tax rates in Britain and here are accomplishing the complete confiscation desired by Marx and Engels. Concludes little is being done to preserve free enterprise, there being only "middle-of-the-roaders" who feel successful when they have delayed for some time an especially radical measure.

The fundamental dogma of all brands of socialism and communism is that the market economy or capitalism is a system that hurts the vital interests of the immense majority of people for the sole benefit of a small minority of rugged individualists. It condemns the masses to progressing impoverishment. It brings about misery, slavery, oppression, degradation and exploitation of the working men, while it enriches a class of idle and useless parasites.

Ludwig von Mises

This doctrine was not the work of Karl Marx. It had been developed long before Marx entered the scene. Its most successful propagators were not the Marxian authors, but such men as Carlyle and Ruskin, the British Fabians, the German professors and the American Institutionalists. And it is a very significant fact that the correctness of this dogma was contested only by few economists who were very soon silenced and barred from access to the universities, the press, the leadership of political parties and, first of all, public office. Public opinion by and large accepted the condemnation of capitalism without any reservation.

Continued on page 26

NEW FINANCING IN THE OFFING—For a complete record of forthcoming corporate financing operations turn to our "Securities Now in Registration" section, starting on page 42.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

RICHARD W. COURTS
Senior Partner, Courts & Co., Atlanta, Georgia
(Coca-Cola Company)

Common stocks are the junior or equity capital of business, subject to the risks and hazards of business, and are therefore speculative. On the other hand, common stocks represent ownership of business. Ownership in well-managed, expanding business usually proves profitable to the owner. In these times of cheapening currencies when governments lack the capacity and often the desire to protect the integrity of money, it seems to me that even high-grade bonds and cash savings have joined the speculative category. The best protection for any investment account is therefore diversification, but there is always some one security that seems best for the future in a diversified personal investment or speculative account. In my opinion that security should be a common stock.


Richard W. Courts

Such common stocks should be in a company that has a long, consistent record of increasing earnings adequate to permit regular payment of reasonable income to the holder. It should be of a company which has proved its ability to build steadily out of earnings without recourse to financing of a nature diluting its common stock value. The company should have a product or service for which there is a mass market and at a price which the public can best pay under all conditions. The product should preferably not be subject to obsolescence nor to displacement by new discoveries. Labor costs should preferably be small in proportion to sales. The market for such product or service should be far from saturation. The producing company should have management with vitality, energy and long-term thinking capacity to provide continuing expansion for the product.

The security which seems to best meet these tests is the common stock of the Coca-Cola Company. This company has a record unique for industrial enterprise. Throughout its history the Coca-Cola Company has consistently increased widening demand for its product with continual increase in earnings. In 1937, the last prewar peacetime period of expanding business and rising stock values, Coca-Cola common stock sold at $174 per share; the same stock is selling today for about $160 per share. In 1937 the company's sales were running at about $68 million per year; today sales are pushing $240 million per year. This great increase in sales has been accomplished with no increase in the price of the product to the public, to my mind a remarkable achievement. Earnings have increased steadily and substantially and in spite of this the same stock is $14 per share cheaper than it was 12 years ago.

Coca-Cola was first marketed in 1886. Popular appeal for it has developed to the extent that it now seems proper to look on Coca-Cola as a commodity just as tea, coffee and sugar. The stock of the present Coca-Cola Company, which is listed on the New York Stock Exchange, was made available for public subscription in 1919. In each succeeding year a reasonable profit has been earned and cash dividends have been paid. All increases in capitalization have resulted from stock dividends or stock splits. The company is now in process of exchanging common stock for its Class A, which when consummated will mean that the common stock will be the only outstanding security of the company with no senior securities. This company has small labor costs. It has been able to go through periods of war and depression, inflation and deflation, always maintaining the price of the product to the public at 5 cents, yet always managing to increase sales and expand profits.

While consumption of Coca-Cola has swept through some 72 countries, the potential further expansion, both domestically and abroad, appears tremendous. Even in the domestic picture there are great discrepancies in per capita consumption, meaning that many areas properly developed will add substantially to the company's sales. I see nothing to stop this expansion short of war. Even in the second World War the company's management demonstrated its ability to continue to expand the potential market for the company's product.

MATTHEW J. HICKEY, Jr.
President, Hickey & Co., Chicago
(Motorola, Inc. Common)

There is magic in the word Electronics, because it describes an industry which is at once youthful and dynamic. My favorite stock in the Electronics industry is Motorola, Inc.


M. J. Hickey, Jr.

Born twenty-one years ago during the hectic days of the last world depression and with initial capital of only $600, Motorola started making radios for automobiles—hence its trade name Motorola. Quickly the infant established a fine reputation for excellence of product in a new field and through the ensuing years has not only maintained but enhanced that reputation until today it is recognized as the leader.

Following the 1929 debacle, home radio had a very difficult time for the reason that many of the companies making this product had gone down in the crash. Motorola entered the field of home radio during the middle to the late 1930s and by the time of the entrance of this country into World War II had become one of the first four in the manufacture of home radio.

During World War II, Motorola devoted all its energies to the war effort. Its founder and President, Paul V. Galvin, was the elected head of the Radio Manufacturers Association of America for three successive years from 1942 to 1945.

During this period research and engineering became an integral part of the fast growing Motorola organization. From Motorola Laboratories came the walkie talkie and handy talkie, both well-known and helpful to the men in our armed forces.

After the war, from all of this, was fashioned a division in Motorola, Inc., known today as the Communications Division. In this field Motorola occupies the top position. Equipment is provided for two way communications in taxicabs; in municipalities for fire and police protection; pipe lines; railroads; trucks, etc.

Then came television. From the start Motorola has been one of the leaders in the field. Before the end of this summer, Motorola will have capacity to turn out 110,000 television sets per month.

Few companies indeed will be able to equal this vast production. Today Motorola, Inc., has a net worth of almost $20,000,000, practically all of which has come from plowed back earnings. The average age of its executive family is 43. Employee relations are excellent. Last year the company contributed more than $1,600,000 from earnings while employees turned in over $400,000 to a fund known as Motorola, Inc., Employees' Saving and Profit Sharing Fund. This fund, created three years ago, is a tribute to the wisdom and vision of the founder and

Continued on page 31

This Week's Forum Participants and Their Selections

Chief Fallacies of Lord Keynes

By DR. L. ALBERT HAHN*

Dr. Hahn mantains the big danger which Keynesianism does not try to meet is the monopolistic action of labor; and impression is being created that production is only dependent on propensity to consume and not on propensity to work. Asserts one-sided explanation of unemployment will entail State's taking over fixing of all prices and wages.

Keynesianism is a certain way of seeing economic processes. When such a way becomes more or less generally accepted, it is almost impossible to go against the tide. It is as if everybody wore glasses that prevent seeing some things while focusing attention on others. Therefore, as a rule, one must be patient and wait until practical experience and a sort of natural reaction bring about a swing of the pendulum of thought to the other direction. A famous Norwegian dramatist once said: "A theory lasts 20 years." This would mean that we will have to wait until 1956 before anti-Keynesian, classical or neo-classical economics have a chance again.

L. Albert Hahn

If I, nevertheless, feel obliged to oppose, probably very prematurely, the prevailing Keynesian trend, it is because I feel somewhat like a father who tries to the best of his ability to prevent his children from making the mistakes he made himself when he was young. For I consider Keynesianism a sin of my youth. Perhaps this probably unique situation will lend a certain weight to what I shall try to say and at least raise some doubts of the validity of the allegedly new creed, thus shortening somewhat the time period until the reaction, sure to come one day, sets in.

A Generalized Business Cycle Theory

Let me now immediately proceed to the exposition of the main objections that have, in my opinion, to be raised against Keynesianism. These objections are the same as were advanced against my own work in the 20s, and which prompted me to modify and partly abandon my theses.

An old scheme of criticism consists of stating of a book "What is old is correct, what is new is wrong."

Seldom, I think, has such a statement been applicable with more justification than in the case of Keynes' "General Theory of Employment, Interest and Money." For cyclical movements — understood as movements returning to the starting point and being due to maldistribution of demand over time rather than to permanent and long run demand deficits or excesses—Keynes' theory is correct; although less correct than neo-classical monetary business cycle theory, especially of the Swedish brand. But it is not at all new and original. For the level of demand and employment in the aggregate of a cycle—and on the longer run—Keynes presents indeed a new and original theory; although again not quite as new and original as the Keynesians think. For general under-consumption theories have often been developed in the past—and refuted.

The Original Side of Keynes

The novelty and originalty of Keynes' theory consists, as I see it, in the following: The classicists have assumed that in the general case fluctuations in saving and investment are balanced on the markets for investable funds by interest rate movements and thus do not lead to fluctuations in demand—inflations and deflations—and employment. Keynes, on the other hand, contends that such balancing occurs only accidentally, in special cases: In the general case savings and investment do not balance, with the result of inflations and deflations and subsequent fluctuations in employment. This is obviously what happens during the business cycle, as has been described and explained by monetary business cycle theorists all over the world for at least 30 years. However, these theorists have never used their theory as a "general theory" in the sense of an "equilibrium theory," which explains for instance to which level of employment an economy would tend to return if it was not disturbed by the cycle. This is just what Keynes does. He uses what is nothing else than a monetary business cycle theory as a general—an equilibrium theory —retaining such well-known factual assumptions of cycle theories as the lag in interest rate adjustments, which leads to fluctuations in demand, and the rigidities of wages, which lead to fluctuations in employment; the result is that in his "general case" fluctuations in saving and investment indeed lead to fluctuations in employment. His theory is really just a generalized business cycle theory or, as I sometimes feel, a monetary business cycle theory gone wild.

Now it may be that cyclical movements are normal and that situations that are neither inflationary nor deflationary occur only as exceptions. Neo-classic economists would not deny this. But they deny and consider it an unfair playing around with words that this could invalidate their own "general" theory. For their theory was not supposed to give a description and explanation of what happens **often**, namely of cyclical employment fluctuations, which they considered the con-

Continued on page 28

*This article is an elaboration of a talk by Dr. Hahn before Midwest Economics Association, Des Moines, Ia., April 22, 1950.

INDEX

Articles and News

Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers

25 Park Place, New York 8, N. Y.

REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher

WILLIAM DANA SEIBERT, President

WILLIAM D. RIGGS, Business Manager

Thursday, May 4, 1950

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

Bank and Quotation Record — Monthly, $25.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Outlook for Insurance Stocks

By GEORGE GEYER*
President, Geyer & Co., Inc.

Though admitting insurance stocks are selling at high levels compared with past, insurance stock specialist contends these shares at current quotations still offer good investment value relative to other forms of wealth. Points out insurance business is not subject to cyclical fluctuations and most companies derive revenues from diverse sources. Stresses long-term investment aspects of insurance shares, based upon future growth and expansion of insurance business. Reviews immediate underwriting and investment income features and dividend outlook of insurance shares.

It's good of you to invite me back to another of these meetings, and I'm very glad to be here. At such a gathering, I think, you've a right to expect your guest speakers—invited because they are specialists—to reflect to you an incisive study of the subject discussed, with clear-cut recommendations you can capitalize in the interest of your customers, the organization you represent, and yourselves.

George Geyer

That's precisely the treatment I'd *like* to accord insurance stocks this evening. It's a tack which you who have heard me discuss insurance stocks during the last couple of years—prior to very recently—have found me adhering to tenaciously, with scant concession allowed for unfavorable factors, since I've felt the favorable influences in the outlook have dominated the adverse elements so overwhelmingly that bullishness on insurance stocks was the only point of view supported by the facts.

Don't jump to any conclusion, from this threatening apologia, that I'm on the verge of reversing our viewpoint toward insurance stocks, or that I shall place myself in the uncomfortable position of attempting to rationalize a sales-slanted optimism against a background of unfavorable fundamentals. These prefatory comments are for the sole purpose of explaining that I feel a much greater need to exhibit both sides of the coin, carefully avoiding any statistical sleight of hand concealing essential truths.

*An address by Mr. Geyer before the Boston Investment Club, Boston, Mass., May 1, 1950.

You don't like "straddlers" or "yes-and-no" advice any more than I do probably, and though candor compels me to recognize the greater risk which attaches to the purchase of any security at prices approximating the highs of the last 20 years, I don't want to leave you in any such state of confusion as was the young lady characterized in a book I picked up at home a couple nights ago. This highly edifying masterpiece was not one of the "hundred great books"; it was a biography of the late W. C. Fields, the comedian.

It seemed that the war bit into Fields very deeply. He'd evidently had a world map made in gaudy colors, on a Hollywood scale, into which he'd stick pins denoting action in some rather unlikely places, like Madagascar and Peru. One afternoon, after the war had been discussed at great length among Fields, Lionel Barrymore, John Barrymore, Gene Fowler, and John Decker, the artist, these patriots found their common hatred of the foe had provoked them to drink, and each drink in turn incited more bitter hatred. By about four in the afternoon, in full battle humor (and full of alcohol), the group decided there was nothing to do but enlist. At that age, according to Fields' biographer, every member of the group had some incapacitating illness. They deemed it wise, in the circumstances, to take Lionel Barrymore's wheelchair along so it would be handy in event they were given an immediate overseas assignment.

The girl at the recruiting office, after the first shock of encountering the senile volunteers, gave them some forms to fill out. John Barrymore listed his age as 19. Fowler reported a military experience which would have entailed a knowledge of strategy and logistics that would have made him slightly better than Generals Eisenhower and MacArthur and Marshall Montgomery combined. W. C. Fields aggressively demanded that he be assigned to commando action immediately. Thereupon the young lady at the recruiting center exhibited what I'd call a very prime example of spot wit by asking our heroes, "Who sent you here—the Germans or the Japs?"

Are Insurance Stocks High?

So believe me, my intentions, as were those of Fields and Barrymore and their friends, are of the very best, and though I call your attention to the price level and certain other cautionary aspects, I hope to make it clear that I think there are, on the basis of relative values, many outstanding "buys" among insurance stocks currently, which ought to produce a more profitable investment result than might be obtained from concurrent commitments in many other—perhaps most other—investments.

In each of the last two calendar years both the fire and casualty stocks have out-performed "the market" as a whole. Over the two-year period 1948-1949 the Standard & Poor's Index of fire insurance stocks rose 41.6% and the casualty stocks advanced 22.5%, while the representative Standard & Poor's 90 Stocks Index gained only 9.5%. *Based on historic market prices* insurance stocks are no more on the "bargain counter" than other high quality common stocks, for insurance stocks too are selling at the highest prices in nearly 20 years—confirming our omniscience and the brilliant foresight reflected in my harangues urging you to buy these securities, made here at Faneuil Hall and at the Parker House, and in many of your own offices.

Early last fall as a matter of fact, and on several subsequent occasions prior to 60 days ago, insurance stocks rose to the highest prices, vis-a-vis the Dow-Jones Industrial Average, they've attained in the last 20 years, despite the fact that "the market" also is at its highest level in nearly 20 years and therefore, presumably, more vulnerable to decline than it might be ordinarily.

After any protracted period during which the market movement of one stock group has been markedly more favorable than in other groups, questions naturally arise as to whether the inherent potentialities of the best-performers have been fully exploited, or whether the outlook warrants continued superior market action. Such implied misgivings as many investors naturally might feel constitute the principal reason, I believe, why insurance stocks have not done as well as "the market" in these last 60 days. During March and April insurance stock prices eased off about 4%, while the Dow-Jones Industrials advanced 4%.

Insurance stocks and common stock prices generally, nevertheless, obviously are at a historically high level. Equally clearly, both insurance stocks and most other equities are priced very cheaply in relation to present earnings and dividend payments—**as most common stocks certainly should be, after a protracted period of "prosperity" prolonged by deferred replacements, by heavy increase in the debt of Federal, state and local governments, and by extensive hypothecation of fu-**

Continued on page 40

The Use of Financial Reports In Security Analysis

By GEORGE F. SHASKAN, Jr.*
Partner, Shaskan & Co., Members N. Y. S. E.

In lecture series, Mr. Shaskan explains in great detail how the information made available in company reports of balance sheet and profit-and-loss statements is used in analyzing companies and their securities for investment purposes.

In the past few lectures we have examined in considerable detail the basic corporate statements—the balance sheet and the profit and loss statement. We shall now see how the information made available to us in these reports is used in analyzing companies and their securities for investment purposes.

Geo. F. Shaskan, Jr.

The balance sheet, you will recall, shows a company's assets and liabilities and net worth and these figures in themselves give us important information about the company, as we have already seen. But it is rather in the relation of these figures to one another and to the company's securities that we determine from the balance sheet significant judgments for sound investment.

There are many such comparisons and tests that can be made from balance sheet figures but we shall concern ourselves with three which can be quickly made and at the same time provide us with considerable investment information. The first of these deals with the company's current financial condition, and what we are concerned with here is its ability to meet liabilities coming due in the near future. If a company can not meet such liabilities, it may have to sacrifice valuable assets or may even have to shut down its operations. The figures that are obviously important to us at this point are the current assets and current liabilities and we generally apply six tests to these figures to determine just how solvent a company actually is.

(1) **Net Current Assets:** The simple test is to find the net current assets or working capital, which is the difference between current assets and current liabilities. The larger the net current assets the stronger a company's current financial position is. If net current assets should be negative—that is current liabilities are greater than current assets—the company may soon find itself unable to continue operations.

(2) **Current Ratio:** This relationship between current assets and current liabilities is often expressed as a ratio which is known as the current ratio and is found by dividing the current assets by current liabilities. The higher the ratio the stronger current financial position the company is in. Turning to the consolidated balance sheet of the Atlantic Refining Co. (which we shall use by way of illustration in this lecture) we find that current assets totaled $121 million and current liabilities were $67 million on Dec. 31, 1949. Thus, net current assets were equal to $54 million ($121 million less $67 million) and the current ratio was 1.8 (that is current assets were almost twice current liabilities).

*Transcript of the ninth lecture of a series on "Investment Planning for Women," given under the auspices of Shaskan & Co., at the Hotel Barbizon, New York City.

(3) **Net Quick Assets:** Current assets as we have seen in an earlier lecture include inventories and at times inventories may be difficult to dispose of or, because of changing market conditions, may be carried at what turns out to be a grossly inflated figure. Therefore, a more conservative test of liquidity is given by the figure of net quick assets, which represents the difference between current assets excluding inventories minus current liabilities. In the case of the Atlantic Refining Co. inventories total some $65 million so that net quick assets as of last December were negative.

(4) **Quick Assets Ratio:** This provides in ratio form the same information that we have just discussed. It is the figure obtained by dividing quick assets by total current liabilities. Turning to another oil company's balance sheet, the Cities Service consolidated report, we find current assets of some $289 million, inventories of $78 million and current liabilities of $109 million. Net quick assets then would amount to $102 million and the quick asset ratio would be 1.9 or $289 less $78 divided by $109.

(5) **Net Cash Assets:** Just as inventories may be difficult to dispose of in an emergency some of the other current assets, such as accounts receivable, may not always be easily converted into cash to meet maturing obligations. The most conservative test of liquidity is, therefore, shown by the relationship of cash and marketable securities on the one hand to total current liabilities on the other. The difference between these two sets of figures is called net cash assets.

(6) **Cash Assets Ratio:** The relationship between cash and marketable securities on the one hand and total current liabilities on the other is known as the cash assets ratio and like the other ratios is found by dividing this portion of current assets by current liabilities. In the case of the Cities

Continued on page 34

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the nation the past week was again lifted slightly above the level of the week preceding and of the similar period one year ago.

Employment too, was encouraging with reports indicating that the country's working force was sustained at a high level. According to the Department of Commerce, unemployment in April fell 12% with the spring perk-up of the nation's industries and farms. Citing the drop in the number of unemployed, the Commerce Department states that the April total of 3,515,000 represented a decline of 608,000 from the March figure. At the same time the number of workers rose to 58,668,000, or a gain of 1,117,000 over March and the highest in five months.

For the steel industry the past week was the second consecutive one in which a new all time high record for tonnage output was established. This week the metalworking industry sees no easing of its near-term need for steel, says "Steel," national metalworking authority. As a result the heavy order volume that has pushed steel production to capacity continues undiminished. As fast as steel company order books are opened for third quarter shipments there is a rush to get on them. In some cases, particularly those concerning the light, flat-rolled products, the surge has been so great that schedules for all leading grades have been absorbed promptly.

This suggests the need for continuance of the present capacity rate of steel ingot production. Obstacles to adherence to such a rate, the magazine notes, are summer vacations in the steel mills and possible strikes in industries either buying from or supplying the steel industry.

While the overall demand for steel continues unabated there are some soft spots in activity. A Midwestern producer of wheel tractors, this trade paper reports, is laying off a third of its employees this week because of excessive inventories. In the East, plate and bar fabricating shops, although they are enjoying good business, have cut prices on competitive products in an effort to assure volume.

* * *

In a national summary of business conditions, the Board of Governors of the Federal Reserve System reports that industrial output in March increased considerably and in April it was at, or slightly above the March rate. Further, that prices of some leading industrial materials advanced from March to April, while wholesale prices of livestock and products declined seasonally and prices of most finished products continued to show little change.

The Board's production index advanced five points in March to 186% of the 1935-39 average as coal mining was resumed and output of most durable goods increased. In April, activity in durable goods industries expanded further, but declines were indicated in output of some nondurable goods and minerals.

With respect to output of nondurable goods in March, they continued at advanced levels, despite small decreases in textile dustries. In April, however, activity at textile mills has apparently declined further, reflecting mainly the reduced level this year of apparel sales and exports of textile products. The Board adds, that output of most other nondurable goods has been maintained. In the rubber products industry, it points out, activity has advanced to the highest level since late 1948 owing in part to the high rate of automobile production. As for consumers' prices, they rose 0.3% in March reflecting mainly a small advance in retail food prices to the January level.

* * *

Further action was taken with tentative vote late last week by the House Ways and Means Committee toward cutting excise levies on freight and passenger transportation and most types of communications by $357,000,000 annually. In all, $967,000,000 in total excise tax reductions have been approved by this committee since it started consideration of the 1950 tax bill.

STEEL OUTPUT TAPERS SLIGHTLY FROM RECORD HIGH PEAK

The steel industry is well on its way toward setting a new production record in the second quarter according to "The Iron Age,"

Continued on page 33

Benjamin Peyser With B. W. Pizzini & Co.

B. W. Pizzini & Co., Inc., 25 Broad Street, New York City, announced that Benjamin F. Peyser has become associated with them as a Vice - President.

Benjamin F. Peyser

Mr. Peyser was formerly a partner in Joseph Janarelli & Co. and prior to that was President of Montgomery, Stone & Peyser Inc. For many years Mr. Peyser was connected with Adams & Peck.

Salomon Bros. & Hutzler 40th Anniv.

Salomon Bros. & Hutzler, 60 Wall Street, New York City, celebrated on May 2 the 40th anniversary of the firm's founding and its membership on the New York Stock Exchange. Two of the original four partners still survive and are associated with the firm, namely, Herbert Salomon, the senior partner, and Percy F. Salomon, a limited partner. Benjamin J. Levy, one of the first employees, is now a senior partner of the firm.

Eighteen partners are directing the activities of Salomon Bros. & Hutzler in the many fields in which the firm presently is operating. The firm has specialized in U. S. Government, municipal, industrial, utility, railroad bonds, also railroad equipment trust certificates, preferred and common stocks, finance paper and domestic arbitrage. In recent years Salomon Bros. & Hutzler have played an increasingly important part in the underwriting of securities. Presently, there are two limited partners.

John F. Apple Joins Dean Witter & Co.

Dean Witter & Co., members of the principal security and commodity exchanges throughout the conutry, have announced that John F. Apple has become associated with the firm in its cotton department. Mr. Apple has been connected with the cotton industry for over 25 years starting his career with George F. Jones & Son, commodity brokers in New York. He later served as a partner in the firm for 15 years.

For the past six years he had been associated with Dobbs & Co. as head of that firm's cotton department.

Mr. Apple will be located in the New York office of Dean Witter & Co., 14 Wall Street.

Cole With Boston Safe Dep.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Horace W. Cole has become associated with the Boston Safe Deposit and Trust Company. He was previously with Coffin & Burr, Inc., Graham, Parsons & Co., and Eaton & Howard.

Walter Hood Adds Two

(Special to THE FINANCIAL CHRONICLE)

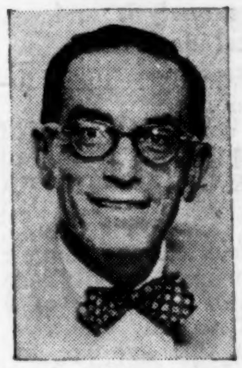
PORTLAND, Maine—Charles H. Carr and George L. Golder, Jr. have become associated with Walter J. Hood Co., 415 Congress Street. Both were previously with J. Arthur Warner & Co.

Observations . . .

By A. WILFRED MAY

"Prudence" and Our Need for New Capital

Following the signing of the New York State statute which will as of July 1, next, permit legal trust funds to invest up to 35% in "ineligible" bonds and listed preferred and common stocks, we have in two previous articles traced the historical legal and lay concepts of "Prudent Man" behavior; and appraised the potential effects on the course of the stock market. Let us now inquire into the implications of this new legitimization of the equity share on the nation's capital investment and financing problem.



A. Wilfred May

The indispensability of an increased flow of private equity capital to the reinvigoration of capitalism, and even to the avoidance of a third world war, has been reemphasized recently by the Joint Committee on the Economic Report of the Congress of the United States, as follows:

"Capitalism as a system and freedom as an ideal are dependent upon the diffusion of power in the making of decisions which involve the people's energies, their resources, and the order in which their wants are to be satisfied. One of the requirements to the attainment of such aims is that the direction of investment be left largely to individuals and that management, so far as modern conditions permit, be left to owners. . . . Likewise the prosperity of the country depends on the prosperity of the capital goods industry, and that can only be kept alive by a constant glow of investment capital properly balanced between equity investment and loans. As long as the savings are available, it should not be impossible to encourage their use in those channels most advantageous to the growth of a healthy economy," it concludes. (cf. "Volume and Stability of Private Investment"; Report of the Subcommittee on Investment, pursuant to S. Con. Res. 26".)

Does "Prudent Man-ism" Fill the Bill?

That the continuing relaxation of the restrictions on trustee investment in equities must enlarge the demand for equity securities is indisputable. But whether the funds so released will actually flow in the needed way to a great extent, including the financing of new and smaller enterprises, entails certain doubts.

In the first place, as we have pointed out in a previous column, interpretation of the Prudent Man concept stimulates the instinctive escape of the trustee-of-other-people's-money into conventional issues which are above-reproach. Secondly, this concentration in the sacred "Blue Chips" has been growing secularly, quite apart from the swarming-in of trustees. This trend's existence in the 1930s was evidenced by a major study made under the aegis of a leading investment trust. It was found that whereas, on the basis of earnings and dividend-ratios, the Blue Chips had sold on a parity basis with other issues in the 1920s, by the succeeding decade there was an ever-widening spread making the popular and glamorous issues cumulatively dearer.

Concentration by the New York Investment Bankers

This concentration into "high grade" issues also occurred in bonds, and on the part of the nation's leading investment bankers. Interesting in connection therewith are the studies compiled by the Investment Banking Section of the SEC, as presented before the Temporary National Economic Committee. Testifying at the Senate Hearings, Dr. Oscar L. Altman who had supervised the study, showed that 56% of all the bond financing from 1935-1939 was in the highest grades; and even inside New York City, the bigger the banker the higher the grade. Conversely, none of the new issues of *first grade* (as rated by Moody's, Poors, and Standard Investors Guide) had been managed by firms outside of New York City. Over all, it was found that the lower the grade of the

Continued on page 36

Investment and Speculating By Formula

By V. LEWIS BASSIE*
Director, Bureau of Economic and Business Research
University of Illinois

Business analyst describes growing use of formulas by endowed institutions and private investors to remove element of human judgment in investment and speculating. Holds, though increasing reliance on formulas may tend to stabilize stock market, it cannot prevent wider price adjustments needed to bring stock prices in line with profits. Says analysis and judgment cannot be displaced by mechanical decisions.

In recent years increasing reliance has been placed by private investors and endowed institutions on formulas that limit or remove the element of judgment from buying and selling securities. They do this by specifying fixed points at which predetermined actions will be taken. Thereafter handling of the funds reduces to application of the formula rules.

V. Lewis Bassie

Admittedly any such formula costs something. In order to avoid large losses, it must set up procedures that fail to obtain maximum gains; and profits foregone are but an alternative form of loss.

The main advantage of these formulas is probably their effect in removing discretion in situations where current developments may unduly influence judgment. Waves of optimism or pessimism are infectious, and few people are immune to the views and attitudes of their fellows. The formulas also tend to reduce responsibility for management of the funds, by pre-agreement on specified actions. Whether in a broader sense judgment is actually eliminated, or responsibility avoided, may be a debatable point. While the immediate decisions are made mechanically, the question of the soundness of this approach at times when analysis and judgment dictate another course cannot be avoided.

The basic objective of investment formulas is to improve upon the returns available from straight investment in bonds. Dissatisfaction with the old-fashioned, conservative procedure arises in part from the decline in interest rates, which has drastically reduced investment income.

The most common type of formula divides the funds between stocks and bonds. When stock prices are low, a larger proportion is put into stocks, and vice versa. Since stock prices are the volatile element, the formula usually sets its trading points in terms of a stock index. Thus, for example, suppose that a fair average for the Dow-Jones index over a long period of time is assumed to be 150, and at this level holdings are equally divided between stocks and bonds. Then, whenever the index moves up a certain distance, say 10%, stock holdings are reduced, say by 10%. The first 10% increase in prices over 150 brings the proportion of stocks down to 40%; the second to 30%; and so on, until all stocks are sold off. When prices are falling, reverse shifts are made, possibly until the whole fund is in stocks. Variations on this basic pattern are almost infinite, introducing, for example, a trend factor. A growing literature is available to explain them.

The way these formulas make money is by obtaining the gains of advancing stock prices and avoiding the losses of falling stock prices. It works beautifully when stock prices are fluctuating around a fairly stable level, to which they always return. This does not have to be the mid-point of the trading range, but only a portion large enough to carry prices over some of the trading points. Increases in the value of formula funds are sometimes substantial, and might even exceed the gain on an outright investment in stocks over a long period in which the general trend was upward.

What these formulas miss are the profits from wide swings of the market, because stocks are held only through about half the formula's trading range. Proponents justify this on the basis that playing the wide swings is "speculation" rather than investment—sliding over the fact that all these formulas are basically an effort to introduce an element of speculative gain into investment operations. They also justify it on the ground that any gains at the higher price levels will be lost on the next decline, assuming that eventually prices will drop back to the trading points. Aside from the fact that "eventually" may cover too much time for the ordinary investor, the profits foregone by being out of the market over a period of years may be substantial.

Proponents of formula operations also hold that if everyone behaved in accordance with these plans, the stock market would be greatly stabilized—by concerted buying at the lower levels and concerted selling at the upper. But would this be the dependable result? Suppose basic economic conditions justified a large rise in stock price, but concerted sales from the formula funds kept prices from rising in line with their real value. How long could a large and growing discrepancy persist? And when prices finally moved to eliminate it, would the total advance be any less?

The speculator attempts not so much to obtain a limited return with safety as to obtain the largest possible gain in the shortest possible time. Ordinarily he takes a definite position and holds it until the time comes for a reversal, and then the reversal is complete. His attitude is perhaps best expressed in the old speculative maxims: "Buy low and sell high!" and "Limit your losses, but let your profits run!" Speculative formulas have been contrived to apply these principles rigorously.

The simplest of such formulas is a "stop-loss" order that follows the market upward and provides for selling at a fixed distance below the highest price reached. Thus, whenever the market falls a specified percentage from the peak, say 3 or 5%, or some other percentage appropriate to the specific holdings, all stocks are sold and an equal short sale may be made.

Perhaps the most widely known of such devices is the Dow theory, which becomes a formula when the secondary movements are defined arbitrarily, so as to eliminate any question of whether a fluctuation is a secondary movement or not. It establishes the direction of market action not at the first reversal of the primary trend, but at the point where the extreme price of the first reversal is again exceeded in the new direction. Years ago, a group of us undertook an analysis of the Dow theory by defining a secondary movement as any fluctuation that exceeds a fixed percentage. Taking this percentage as any in the range of 3 to 7% yielded good results, though a straight investment in Dow-Jones stocks held throughout the period covered by these studies would have been better still.

In relying on such a formula, the type of market that produces losses is precisely that which produces gains for the investment formula—sharp reversals around a fixed level—and no doubt the followers of the Dow theory have suffered substantial losses because of the false signals given by the index in these postwar years. Then, too, investment formulas have gained supporters among those who were caught in the 1946 decline; however irrational that decline may be considered, they can't help but regard favorably anything that would have taken them out of the market near the peak. Yet, the continuity of market action that underlies the Dow theory cannot be said to have changed. With prices now pointing toward the higher levels justified by interest rates and earnings, the case for investment formulas cannot be considered proved.

What is interesting in this situation is that we have two diametrically opposed approaches to what is essentially the same problem. The one attempts to take advantage of fluctuations around a level, ignoring the possibility of permanent large changes in level; the other regards the limited fluctuations around a fixed level as inconsequential and aims at realizing on the wide changes in level. The present market may, to some extent, be reflecting this battle of the formulas. Resistance points are undoubtedly made more resistant in so far as investment formulas call for shifting to bonds. This forces the speculators who have obtained a "buy" signal to work through the formula "sell" orders before prices can advance.

Perhaps the working out of the best strategy is a problem for the mathematicians interested in the theory of games. As for us, we shall, without disputing the point that the market makes its own rules at times, hold to the theory that prices will continue to reflect changes in real values over the course of the business cycle.

*Reprinted from the "Illinois Business Review," published by the Bureau of Economics and Business Research, College of Commerce, University of Illinois, April, 1950.

The Retail Business Outlook

By DONALD K. RUSSELL
Lehman Brothers, Members New York Stock Exchange

Mr. Russell analyzes background of retail sales as related to consumer income and contends retail spending in its broad aspects has not deviated greatly from prewar experience. Says heavy automobile sales are primarily responsible for rapid uprush of durable goods proportion of retail sales, and estimates food sales will continue high because of increasing population. Concludes soft goods sales will improve with relative decline in consumer goods.

A great many kind remarks have been directed to the virtues of frugality and thrift. Fortunately for retail trade, this talk isn't taken too seriously. The fellow who follows retail sales cheers for our good old habit of spending about what we earn. The habit seems well established, for retail sales in peacetime have moved closely with disposable personal income. By statistical happenstance, total retail sales usually run around 90 to 95% of total salaries and wages. Other forms of personal income, such as earnings of farms and other unincorporated business, dividends, interest, etc., tend to balance what we spend on consumer services.

Donald K. Russell

The year 1949 was little different from prewar years in this respect. Total retail sales equalled 94.5% of total salaries and wages, against 90.9% in 1935-39. Increase in outstanding consumer credit was not responsible for this rise in percentage, for outstanding credit at the end of 1949 was less than in 1935-39, in relation to income.

Retail sales have had a substantial support in the lessened relative cost of consumer services, chief of which are housing and household operation. In 1949 consumer services took 7.0% less of disposable income than they did in 1935-39. This sizable reduction helped both retail sales and savings, which, incidentally, represent largely increased equities in various kinds of property. The comparison is summarized:

	1949	1948	1935-39 Average
*Disposable personal income	100.0%	100.0%	100.0%
Personal savings	6.2	6.3	3.9
Personal consumption—			
Expenditures	93.8	93.7	96.1
Retail sales	64.5	65.9	59.8
Consumer services	29.3	27.8	36.3
Consumer credit at year-end—			
Percent of disposable income	9.8	8.6	10.5

*1949, $191.2 billion; 1948, $190.8 billion; 1935-39, $66.2 billion.

Of the 7.0 points lost by consumer services in 1949 against 1935-39, retail sales gained 4.7 and savings 2.3. The laggard prices of the services have recently been catching up, as witness their gain of 1.5 points in 1949 against 1948, and may well recover more if incomes and consumer outlay remain fairly static or if incomes go down. Also, suspension of rent controls would accelerate the recovery of the housing percentage, the largest single component.

Retail Spending Aspects Unchanged

Thus in its broad aspects retail spending has not deviated greatly from prewar experience. The prospective pinch of a greater "services" percentage does not seem serious; it represents something of a return toward normal. Credit is not above its average prewar relationship to income. The rise in and the dollar amount of outstanding credit are spectacular. But it rose from extremely deflated levels and, moreover, is balanced, at least as to large population elements, by spectacular holdings of liquid assets. Much of the borrowing, as usual, is based on convenience and is related to an understandable fondness for existing bank balances and the like. (As this is written, the FRB thinks it has substantially overstated outstanding consumer credit by including single-payment loans above $3,000.) The rapid rise in mortgage debt is cited as a threat to retail sales. As indicated by the low "services" percentage, housing expenditures are as yet low relative to income, in prewar terms. The time may come when father, ground down by his burden, will forbid the family to buy anything, but his position doesn't seem too bad so long as incomes hold around these levels.

Looking now at the subdivisions of retail trade, one finds that some of the distortions growing out of the war are still present, but that a trend toward restoration of prewar spending patterns is manifest. The Department of Commerce developed formulas to express these patterns, based on relationships of sales to income in the years 1929, 1933 and 1935-41. Given the disposable income, one can calculate the "normal" sales of the various retail classifications. The margins of error in calculated normal versus actual sales during the prewar period were small.

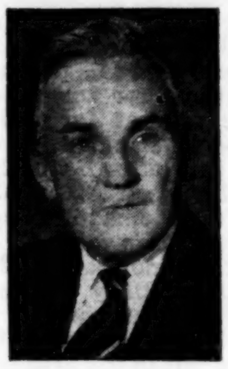
Applying these formulas to the 1949 disposable income of $191.2 billion, the resulting "calculated" sales as compared with actual sales were to a large extent within the normal margins of error. The prewar spending patterns, relative to income, prevailed. This was true of the apparel group, drug stores, general merchandise

Continued on page 35

From Washington Ahead of the News

By CARLISLE BARGERON

In the 1948 Presidential campaign, Mr. Truman went around the country charging that Governor Dewey's associates were Fascists. The Governor's election would mean, he assured his audiences, that Fascists would run the country, and throw back the progress which has been made all of these years under the New Deal. Since the campaign I have been authoritatively informed that nothing got under the New York Governor's skin so much as these charges and that he thought they justified his taking the offensive against the Missourian but permitted the counsel to prevail that victory was in the bag and he shouldn't risk upsetting the applecart.


Carlisle Bargeron

In the New York Senatorial campaign last year charges of Fascism were levelled at John Foster Dulles. The term Fascist has, in fact, long been the favorite epithet which the New Dealers apply to the Conservatives generally. I have heard some of the country's leading industrialists denounced on the floors of House and Senate as Fascists. On one occasion one such denouncer, Representative Sabath of Illinois, was challenged and replied that he meant his target was an "American Fascist."

The point I am making is that the New Dealers and Leftists generally show no restraint in flinging this term around. When pressed to say just what they mean they have difficulty explaining but it usually resolves into a handy definition of someone who is not with them.

But let someone use the term "Communist" and an awful wail and lament issues from Washington and New York editors and columnists and radio commentators. Prove your case in court, they scream, as they set about to crucify the hapless user of the term.

The experience of Senator Joe McCarthy is a case in point. Not since Martin Dies' days as Chairman of the House Unamerican Activities Committee has a man been so villified, has there been so much pressure designed to give a man a nervous breakdown. Dies' health was finally broken but now at long last his work has come to be generally recognized as a tremendous service to his country. Similarly Congressman Parnell Thomas (of N. J.) ended up in jail as a result of his chairmanship of that committee. He left himself open, there is no doubt of that; neither is there any doubt that he would not be in jail today were it not for his work in ferreting out Communists.

Frankly, McCarthy is not a man with whom I would want to be associated in a crusade. He has nothing of the efficiency of Martin Dies and he is so stubborn that it is difficult if not impossible to work with him. There is scarcely any secret around here that when he made his charges of Communist infiltration in the State Department in a speech at Wheeling, W. Va., he had little or nothing by way of definite evidence to go on. He was flinging the term Communist around with the same abandon with which the Leftists and Mr. Truman use the term Fascist. It is a fact that he was startled when the Leftists grabbed up his charges and challenged him, demanding that he come up with the proof, proof that would stand up in court. Other Republican speakers have been making the same general charges for months and the Senator undoubtedly saw no reason why he should not utter them.

Ever since, he has been on trial, not the Communists or the Communist-minded. A Senate committee ordered to investigate his charges has been turned instead into an investigation of him. But notwithstanding the terrible odds, he has been blundering along and, in my opinion, has made progress towards proving the substance of his charges. This, however, is not the point of this article, which is that as between the charges by McCarthy and the charges of Fascism uttered so indiscriminately by Mr. Truman and his ilk, I will take my place beside McCarthy. And it is unquestionably a fact that when Mr. Truman and his crowd express such high indignation and affect near apoplexy of consternation over such as the McCarthy charges, they are being just as hypocritical as they can be. It isn't any feeling of holy horror on their part that innocents have been wronged or any apprehension over the wreckage of our foreign policy or our "world leadership" as they profess. It is just that they figure this the political thing to do.

Will someone pray tell me why it is any more ruthless or reckless for McCarthy to make the charges he did than for Truman and his crowd to be making charges of Fascism against our industrialists and, generally, the most responsible and constructive elements of our country? And, Heaven forbid, what must be the effect upon our "world leadership," upon the "freedom loving peoples of the world who are looking to us for guidance" when they see Mr. Dulles back in the State Department after having been roundly dubbed as a Fascist in the New York senatorial campaign.

Incidentally, what would these "Fascists" do if they came into power? They would cut out or try to cut out deficit financing, they would reduce or try to reduce the backbreaking taxes, they would cast socialized medicine schemes out the window. They would bring some sense into our military picture and into our so-called foreign policy. The most generous thing that can be said of our so-called genuine, "non-Communist" liberals is that rather than see such a "reaction" as this they would risk Communism. Their attitude is that anything is better than a swing to the "right."

J. Nelson Borland 2nd

J. Nelson Borland 2nd, associated with Granbery, Marache & Co., New York City, passed away at St. Luke's Hospital. He was 51 years of age.

With Walston, Hoffman

PHILADELPHIA, Pa. — W. J. Hole has become associated with Walston, Hoffman & Goodwin, 1420 Walnut Street, as a registered representative.

Current Economic Developments

By HAROLD A. DULAN*

Professor of Finance, University of Arkansas

Prof. Dulan contends, though our economy appears at present to be very strong, important phases of it are abnormal, based upon previous peacetime experience. Ascribes willingness and ability of consumer to buy at current price levels to deficit financing and easy money policy which, he contends, is leading to further monetary inflation. Warns care should be exercised in current monetary policy, since theory that instruments of government monetary and fiscal policy can defeat the business cycle is yet to be proved.

Today we have a $257 billion gross national product. That is 180% greater than 1939. Even when corrected for a higher price level, the comparative expansion is a some 50% increase. We have a national debt of $260 billion which is 550% greater than 1939. We have a Federal budget of $45 billion which is 400% greater than 1939. Employment has reached a peacetime record and is rising. But unemployment has also been rising. Interest rates are very low. We have a Federal deficit of about $6.5 billion which is (1) greater than total government expenditures in 1934, (2) occurs in a period of great prosperity, (3) involves inflationary implications, (4) in the words of Dr. Edwin G. Nourse, "seems to have been accepted as a way of life."


Harold A. Dulan

These remarks indicate two important points. The first is that important phases of our economy, if not our entire economy, are very different from any peacetime experience in the past; and the second obvious fact is that you are already well acquainted with what I am going to talk about.

The aim of this paper shall be to treat of the reason and purpose back of postwar government fiscal and monetary policy. It shall not be my purpose to condemn nor to praise what has been done. Rather, my primary purpose is to discuss with you these important facts and the implication surrounding the issues currently associated with them.

Our economy appears to be very strong at the present time. This can be proved by quoting production and distribution statistics which are already well known to you. I shall recognize this fact and although the importance of present economic strength should not be minimized, I see no reason for presenting a mass of statistics at this time to prove the obvious. Space seems better devoted to inspecting the reasons why our economy is strong in order that we might better be able to judge how long it may be expected to continue strong.

Obviously, there is a strong desire for goods which is being converted into sales by a broad willingness to buy at current price levels backed by ability to buy either with cash or credit. We cannot here devote time to both willingness to buy and ability to pay.

Psychology or willingness to buy is an important factor in present high sales figures, as every businessman knows. However, time does not permit of the treatment of this extremely important item. Nevertheless, its tremendous importance, due not only to recent shifts in liquid asset holdings and to possible yet further increases in unemployment, but also to the existence of a very large base for yet further potential price inflation, must not be minimized.

Let us devote our time to the second item—ability to pay. As previously stated, the important underlying factor in this strong demand picture with which this paper shall be more specifically concerned is government monetary and fiscal policy. Here again, I shall spend little time with facts you already know. There seems little necessity to prove that our government has followed and is still following an easy-money policy. Interest rates remain low. Proof abundant exists that our government spends more than it receives and finances the difference through a bond-selling activity which results in yet further monetary inflation. I might add at this point that in the light of monetary history, the temporary failure of price inflation currently to materialize as a consequence of monetary inflation should offer no comforting solace.

Another common-sense observation is that if the money everyone receives each year from every and all sources remains at present high levels and is spent, and in addition the government adds a bit more through deficit spending and the banking system adds a bit more through loans, a strong demand for goods—hence high business sales—should result. In fact, if everyone spent all received and the government and the banking system added to the funds offered for goods, but production remained constant, prices would probably rise.

Years ago, those who evolved the theory of our economy—call it what you will: *laissez-faire* economics or capitalism—assumed no one would be so "foolish" as to hoard income—that is, neither spend it for consumption goods nor investment goods—so they had no reason to plan for the government or the banks to add purchasing power funds to the economy to compensate for withdrawals of annual income from the purchasing power stream. The economy of their day was considerably less complex in many ways than ours is today. In fact, such great differences in complexity exist between the two periods that there is reason to suspect that much of the trouble with capitalism today stems from the necessity to make certain adjustments to underlying economic theory rather than to change the physical structure and everyday operation of capitalism. Compared with any economic system known or in existence today, capitalism stands so imminently superior in its past and in its inherent performance ability that the challenge of yet higher levels of achievement or even the continued maintenance of our present levels seems to rest upon the shoulders of those who propound the niceties of theory and of those who administer our government rather than upon those who daily activate our economic system. But the test seems not to involve the panacea of discarding capitalism in favor of another system, but to exert every effort to increase the efficient functioning of our present capitalistic system.

There seems little real doubt but that the majority of informed thinking in our nation is oriented toward correcting, within reasonable limits, the undesirable features which have plagued the smooth functioning of our system in the past. No one cares to see a repetition of the mass unemployment of the early 1930s. But neither does any sound-thinking individual care to act in such a manner as to do serious harm to a system which has sufficient productive power to carry the burden of a global war both for itself and its allies and then to launch a $250 billion peacetime economy. Our basic problem is to make certain that our cures are not worse than our disease.

In our efforts to avoid depressions and rising unemployment we have more and more reflected a tendency to rely upon the central government either to make work or to assist others to make work. Assuming that this be true, it would seem to follow that, all other things being equal, the efficient and timely administering of the medicine would assure the maintenance of a vigorous economy. At least that is the assumption which underlies the enormously expanded role of our government in the economy of our nation today. Furthermore, since monetary and fiscal policies rep-

Continued on page 30

*An address by Prof. Dulan before the Little Rock Real Estate Board, Little Rock, Ark., April 27, 1950.

Another Look at the Utilities

By W. TRUSLOW HYDE, JR.*
Public Utility Analyst, Josephthal & Co.
Members, New York Stock Exchange

Asserting utilities today are stronger than ever, investment supports statement by analyst citing increases in output and operating efficiency along with rate increases, thus assuring higher revenues. Looks for stable market for utility stocks, but contends 5% return on market price of 13 to 15 times earnings is insufficient compensation for risk assumed by utility common stockholders.

Fifteen or 20 years ago we discovered something in Wall Street. Prior to that time analysis of securities was pretty much of a "hit-or-miss" proposition, but during the depression many customers' men, as we called them there, found that they had very little business left. In part to keep their idle fingers busy and in part to guard against a repetition of being caught in another deluge, many of these customers' men turned to analyzing securities. These meetings of the Association of Customers' Brokers attest to the fact that the old-time customers' man, who relied on tips and hunches, is as outmoded as a balanced budget. Today, customers' brokers want to know what makes business tick.

W. T. Hyde, Jr

When this all had its start 15 or 20 years ago, it was discovered that public utility earnings were inherently stable. This condition was nothing new as it had existed all the time, but the point was not stressed by utility managements as previously the emphasis had been on potential increases in earnings rather than on stability. In fact, it was this speculative psychology which led to the development of pyramided holding company capitalizations whose leverage magnified the relatively small fluctuations in earnings and made their securities attractive to a speculatively-minded public. The more intensive study of the inner workings of public utilities revealed that they had developed a rate schedule which, combined with their operating characteristics, made them almost impervious to anything but a complete collapse in business. It is now common knowledge that the sliding scale of energy rates, combined with a more or less rigid demand charge, tends to stabilize revenues obtained from industrial customers.

At the same time, a public utility has generating units of varying efficiency so that units costs go up as output increases; and, conversely, unit costs decline as reduced output permits curtailed operation of the least efficient generators. In contrast to most industries which obtain wider profit margins as sales increase, the operating ratio of utilities rises as demand expands, thereby preventing a corresponding increase in earnings. Conversely, as utility sales decline, it is only the least profitable business that is lost, so that the profit margin widens and earnings remain relatively stable. Of course, this was particularly necessary 20 years ago when interest rates were high and fixed charges and preferred dividends took 20% to 25% of revenues. With the savings due to large-scale refundings, these senior charges are now less than 10% of revenues.

Utilties Are Stronger Than Ever

Of course, we can point to these reduced senior charges and the improved capital structures to prove that utilities today are stronger than ever and that earnings available for the common stock are even more stable. We can also say that because of the higher rates, sales to residential customers whose consumption is stable are more profitable than sales to industrial customers. Such superficial approaches, however, completely ignore 90% of the costs of utilities, and certainly are not the result of sound cost accounting practices. Actually, a detailed and up-to-date study of utility operations will prove that the stability of utility earnings is no more than an ancient myth and that sales to residential customers are the least profitable type of business for most utility companies.

The reason for this change can be summed up in one word—efficiency. Prior to the expansion in the late '20s, utilities used 1.9 pounds of coal to generate 1 kwh. of electricity. By 1933 this had been reduced to 1.45 pounds and by 1942 to 1.3 pounds. It remained at this level through 1948 but is now down to 1.2 pounds per kwh. and is expected to decline further to 1.1 pounds in a year or two. While this improved efficiency has reduced fuel consumption, it has been accompanied by a large increase in the plant account due to the depreciation of the dollar. The prewar installation cost of $100 per kw. of capacity has now gone up from $150 to $175. Larger fixed costs, such as depreciation and ad valorem taxes, have offset the operating efficiencies of the more modern generators. What is more important, these higher fixed costs are here permanently and cannot be reduced when demand falls off. Conversely, fuel, which is the only variable in utility costs, is becoming less and less important as operations become more and more efficient.

At the same time, what has happened to the protection afforded by the demand charge and the sliding scale of industrial rates? Most of these were stabilized when the cost of installing a generator was $100 a kw. and when it required 1½ pounds of coal to generate a kwh. The demand charge, which is geared to capital costs of $100 per kw., is now inadequate, while the energy charge, which is predicated on operations requiring 1½ pounds of coal per kwh., is excessive. Few companies have a low-step energy charge of less than 5 mills per kwh. which, adjusted for present fuel costs, would make an effective rate of 7 or 8 mills per kwh. This compares with the present average fuel cost for the industry of 3.4 mills per kwh. Admittedly, there are still plants in operation which cost a great deal more to operate than the average for the industry; but, as the utilities complete their expansion programs, these inefficient plants are being relegated to standby service and soon there will be none left to absorb the fluctuations in industrial demand for power. We are now rapidly approaching this point. By the end of this year about one-third of the total steam capacity of the private utilities will have been installed since the war and one-half since 1936. When recognition is given to the fact that an additional 20% of generating capacity is represented by privately-owned hydro plants and 10% by municipal and Federal plants and that the reserve capacity will amount to 15%, it is apparent that very little old equipment will be used.

The effect of this improved efficiency is reflected in a decline in fuel costs from 3.9 mills per kwh. in December, 1948, to 3.4 mills in December, 1949. Despite the sharp increase in revenues, the utilities were not able to improve their earnings until they had the benefit of these new plants in 1949. This improvement will probably continue through the first quarter of this year, but will then be overtaken by other costs which will continue to increase. If you will refer to the table which I have distributed, you will see how these trends are affecting the industry's earnings. Throughout last year fuel costs declined steadily and in the 12 months ended Dec. 31, 1949, were $67,000,000 or 8.8% less than in the preceding year despite a 1.6% increase in kwh. sales. All other operating expenses, however, increased so that the gain in earnings before income taxes was only about half the combined increase in revenues and reduction in fuel costs.

Depreciation Charges

The savings in fuel costs are now approaching an end, but every other item of expense will continue upward this year and next. During the past few years many utilities have skimped on their depreciation charges. This has been justified in part by the fact that a substantial amount of their plant account represented work in progress and, therefore, was not depreciable. As the new plant is completed, however, it will be necessary to step up the annual depreciation charge which will continue to increase with the industry's expansion program. Between December, 1948 and December 1949, the depreciation charge on a 12 months' basis increased $27,000,000, and this item alone will probably continue to increase at the rate of $35,000,000 annually for the next two years. General taxes, which include local ad valorem taxes, increased $39,000,000 or 10% from December, 1948 to December, 1949. As local tax rates reflect higher costs of government as well as the higher assessed values of the expended utility plants, these taxes will continue to mount at the rate of at least $40,000,000 annually. Interest on long-term debt, which was held at a minimum by refunding of high coupon bonds in the first three postwar years, increased $31,000,000 between Dec. 31, 1948 and Dec. 31, 1949. As new capital is required to complete construction programs, interest charges will become even larger, in addition to which the loss of a credit for interest charged to construction, which is not segregated in the Federal Power Commission's figures but may amount to as much as $30,000,000 or $40,000,000, will further increase charges. In two years' time, therefore, total fixed charges which amounted to $265,000,000 last year may increase by $75,000,000 to $100,000,000 or between 28% and 38%. After the first quarter of this year, when further savings in fuel costs will be small, fixed costs and charges, which are completely beyond the control of management, can be expected to increase at the rate of $125,000,000 annually.

In 1946 salaries and wages increased 16%, but in 1947 they were up only 11%, while last year the increase was only 5½%. Assuming that further increases are limited to 4%, the industry's wage bill would be increased by $35,000,000 annually. Together with higher fixed costs and charges, therefore, total expenses other than fuel can be expected to increase by $160,000,000 a year over the next two years.

Last year revenues increased $216,000,000 but were benefited by substantial rate increases, and it is difficult to visualize a sufficient further gain, even with a continued high level of business activity, to more than offset the prospective increases in operating costs. If industrial sales are disregarded and residential and commercial sales are relied upon to produce added revenues, it would require a 12½% increase based on net incremental revenues of 1.6¢ per kwh. in excess of fuel costs to offset the prospective increase in costs of $160,000,000 annually. Since consumption in these classifications increased 11% last year, it is doubtful whether further increases will any more than offset the higher costs that lie ahead.

Will Cost Rigidity Last?

What is more important, however, is the rigidity of costs which will result as the present expansion program is completed. The cost of fuel, which for all practical purposes is the only variable in utility costs, will be down to 15% of revenues with little or no power generated in inefficient plants. Conversely, 85% of operating revenues will be required to pay for inelastic costs which, for all practical purposes, are beyond the control of management. Earnings will then be far more sensitive to fluctuations in industrial consumption. It is all too easy to visualize what would happen to common stock earnings with a 20% or 30% decline in industrial activity. Although industrial revenues might decline only half this amount, there would be little elasticity in operating costs and a large part of a drop in revenues, cushioned only by income taxes, would be reflected in earnings applicable to the common stock. At the same time, there would inevitably be a decline in sales to commercial customers which would have an even more drastic effect on earnings. Meanwhile, the utilities will be selling more and more common stock which requires larger cash dividends to maintain current dividend rates.

At the present time, utility dividends are considered inviolate and utility stocks are universally accepted as suitable for secure income. I believe that this psychology will continue for some time and that the market for utility stocks will be determined by the yields which they afford. Whether that will decline to 4% is a matter of supply and demand of capital available for this type of investment, but I do not believe that those who buy utility common stocks because of the stability of earnings will be disappointed when they are put to the acid test. We have only to recall the high investment regard which was once accorded railroad and traction securities to be reminded that what appears to be safe does not always provide that safety. I do not mean to infer that public utilities today are in the same position as the tractions and rails were in the past. Outside of possible government encroachment, the utilities do not face the competitive conditions which undermined the position of the tractions and rails. What I do imply is that common stocks represent the risk capital. They provide the equity cushion which gives the senior securites their investment status. I do not believe that a 5% or 5½% return or 13 to 15 times earnings is adequate compensation for that risk considering the fact that earnings are hitting the ceiling permitted under regulation.

*A talk by Mr. Hyde before the Association of Customers' Brokers, New York City, April 27, 1950.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Air Conditioning Industry — Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Aircraft Manufacturers—Study—Bache & Co., 36 Wall Street, New York 5, N. Y.

Bank Stocks which qualify for investment by Massachusetts savings banks under a bill signed April 24 by the Governor of that State—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Broadcasting Industry—Analysis of present position and outlook of five major units—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Costa Rica Bonds — Analysis — Arnhold & S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

Final Phase? — Bulletin discussing whether present market is last chance to sell before a stock market reversal, with 33 special hedge recommendations—special trial offer of current bulletin and next 4 weekly issues for $1—Bondex, Incorporated, 654 Madison Avenue, New York 21, N. Y.

Fire and Casualty Insurance Co. Earnings — Annual comparison — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Insurance Stocks—Comparative data as of December 31, 1949—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y. and Russ Building, San Francisco 4, Calif.

Investment in Mutual Fund Shares by pension trusts, retirement funds and profit sharing trusts—survey—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Stock Exchange—Suggested switch—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

• • •

Animal Foundation, Inc.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is an analysis of **Forty Wall Street Building, Inc.**

Bank of America, N. T. S. A.—Descriptive card—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Bendix Aviation Corp.—Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Birmingham Electric Co.—Circular—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Also available is a circular on **Mullins Manufacturing Co.** and **United Electric Coal Companies.**

Celanese Corporation of America — Circular — Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Also available is a circular on **Seeger Refrigerator** and **Phelps Dodge.**

Columbia Broadcasting System, Inc.—Memorandum—Newburger & Company, 1342 Walnut Street, Philadelphia 7, Pa.

Foote Brothers Gear & Machine Corp.—Circular—Wm. J. Mericka & Co., 150 Broadway, New York 7, N. Y. and Union Commerce Building, Cleveland 14, Ohio.

Govt. Employees Insurance — Report — Peter P. McDermott & Co., 44 Wall St., New York 5, N. Y.

Industrial Brownhoist Corporation—Analysis—Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

Mexican Railways — Analysis— Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Nashville Chattanooga & St. Louis Equipment Trust Certificates—Circular—Harriman Ripley & Co., Inc., 63 Wall Street, New York 5, N. Y.

New England Public Service Co.—Booklet available for institutions and dealers—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Paraffine Companies—Circular —Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Riverside Cement Co.—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available is a brief review of the Cement Industry.

Rudolph Wurlitzer — Revised analysis — Raymond & Co., 148 State Street, Boston 9, Mass.

Socony-Vacuum Oil Company— Encyclopaedia planned to answer questions about the company from security analysts, bankers and others professionally engaged in finance — Socony-Vacuum Oil Company, Inc., 26 Broadway, New York 4, N. Y.

Southern Union Gas—Survey— Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Tex.

Standard Steel Spring Co. — Circular—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Texas Eastern Transmission Corp. — Circular — Bateman, Eichler & Co., 453 South Spring Street, Los Angeles 13, Calif.

U. S. Thermo Control—Analysis —Raymond & Co., 148 State Street, Boston 9, Mass.

Walt Disney Productions—Analysis—Batkin & Co., 30 Broad Street, New York 4, N. Y.

Wisconsin Power & Light Co.— Circular—Josephthal & Co., 120 Broadway, New York 5, N. Y.

William D. McCabe Joins John B. Joyce & Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — William D. McCabe has become associated with John B. Joyce & Co., Huntington National Bank Building. He was formerly bond trader for Vercoe & Co. with which he had been connected for a number of years.

With Wheelock Cummins

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert J. Waters is with Wheelock & Cummins, Inc., 135 South La Salle Street.

COMING EVENTS

In Investment Field

MAY 4-5, 1950 (San Antonio, Tex.)
Texas Group Investment Bankers Association annual meeting at the Plaza Hotel.

May 19, 1950 (Baltimore, Md.)
Baltimore Securities Traders Association outing at the Country Club of Maryland.

May 26, 1950 (Cincinnati, Ohio)
Municipal Bond Dealers Group of Cincinnati Annual Spring Party and Outing at the Kenwood Country Club (to be preceded by a cocktail party and dinner May 25 for out-of-town guests).

May 26, 1950 (Pittsburgh, Pa.)
Pittsburgh Securities Traders Association annual outing at Highland Country Club.

May 30, 1950 (Dallas, Tex.)
Dallas Bond Club annual field day at the Dallas Country Club.

June 2, 1950 (Buffalo, N. Y.)
Bond Club of Buffalo Spring Party at Wanakah Country Club.

June 2, 1950 (New York City)
Bond Club of New York annual field day at Sleepy Hollow Country Club, Scarborough, N. Y.

June 5-8, 1950 (Canada)
Investment Dealers Association of Canada 34th Annual Meeting at the Seigniory Club, Montebello, Quebec.

June 8, 1950 (Boston, Mass.)
Boston Securities Traders Association Thirty-first Annual Outing at New Ocean House, Swampscott, Mass., with golf at the Tedesco Country Club nearby.

June 9, 1950 (Philadelphia, Pa.)
Philadelphia Securities Association annual field day at the Aronomink Golf Club, Newtown Square, Pa.

June 10-11, 1950 (San Francisco, Calif.)
San Francisco Security Traders Association annual spring outing at the Diablo Country Club, Contra Costa County, Calif.

June 14, 1950 (Minneapolis, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

June 16, 1950 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia Summer Outing at Whitemarsh Country Club.

June 16, 1950 (Toledo, Ohio)
Bond Club of Toledo 16th annual Outing at the Inverness Club preceded by a cocktail party and buffet dinner June 15 at the Commodore Perry Hotel.

June 16-18, 1950 (Minneapolis, Minn.)
Twin City Security Traders Association summer party at Grandview Lodge, Gull Lake, near Brainerd, Minn.

June 16, 1950 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual field day at Whitemarsh Country Club.

June 23, 1950 (New York City)
New York Security Dealers Association Annual Outing at the Hempstead Golf Club, Hempstead Long Island.

June 26-27, 1950 (Detroit, Mich)
Security Traders Association of Detroit & Michigan, Inc., and Bond Club of Detroit joint summer outing and golf outing at Plum Hollow.

Sept. 15, 1950 (Philadelphia, Pa.)
Bond Club of Philadelphia Field Day at the Manufacturers Country Club.

Sept. 26-30, 1950 (Virginia Beach Va.)
Annual Convention of the National Security Traders Association at the Cavalier Hotel.

Nov. 26-Dec. 1, 1950 (Hollywood, Fla.)
Investment Bankers Association annual convention at the Hollywood Beach Hotel.

Pennsylvania Brevities

Pennsylvania Steel Companies Expect New Production Records in 1950

If, as is commonly assumed, the demand for steel reflects the pulse of industry throughout the nation, first quarter reports of the leaders afford a comforting outlook for business for the balance of 1950. Indications are that new production records will be set in the current year.

Last week, Ernest T. Weir, Chairman of National Steel Corp., told annual stockholders' meeting in Pittsburgh that steel demand outlook is "quite good" and that company's earnings for the first six months will probably exceed the $10.54 per share earned in the first half of 1949. National Steel, said Mr. Weir, has been increasing its steel-making capacity right along. Last year the company operated on a basis of about 4,250,000 tons of annual capacity; this year the basis is 4,500,000 tons.

Mr. Weir defended the industry against political inquisition but criticized it for reticence in taking its case to the public.

Allegheny Ludlum Steel Corp. stockholders were told by H. G. Batcheller, Chairman of the board, that the company is operating at capacity and is receiving more orders than it can accept.

Although first quarter earnings of Jones & Laughlin Steel Corp. were "seriously affected" by the soft coal miners' strike, Ben Moreell, President and Chairman, told stockholders that the business outlook for the year as a whole "appears good." The strike caused a shutdown of the company's operations in the Pittsburgh district for nearly two weeks during the period. From 1946 through 1949, Jones & Laughlin has spent about $147,000,000 in plant improvements. An extension of the program calls for the expenditure of approximately $70,000,000 additional.

Bethlehem Steel Corp., according to E. G. Grace, Chairman, is currently operating at 102% of rated capacity. Orders on hand increased to $444,000,000 March 31, compared with $417,000,000 at the year end. Quarterly dividend on Bethlehem common has been increased from 60 to 75 cents and the payment, on June 1, of $7,187,206 will be the largest single cash distribution in company's history.

Pittsburgh Steel Co. reported that March sales and earnings showed a substantial gain over February and further improved in April. Satisfactory results are anticipated for the second quarter.

John T. Whiting, President of Alan Wood Steel Co., told stockholders that initial expense in placing in operation the company's new 30-inch hot rolled strip mill and installation of an additional blast furnace had reduced first quarter earnings compared with early 1949 results.

Steel mill operations in the Pittsburgh district this week are scheduled at 102.4% of theoretical capacity.

* * *

P. T. C. Payrolls Reduced

PHILADELPHIA—At hearings of the Pennsylvania Public Utility Commission on Philadelphia Transportation Co.'s application for a fare rise last week, Alan A. MacDonald, company Vice-President and Comptroller, admitted that, despite wage increases granted trainmen and bus drivers amounting to $6,000,000 since 1948, the transit company's payroll has dropped from $20,360,000 in 1948 to an anticipated $19,475,000 for 1950.

Under questioning by State Senator H. Jerome Jaspan, Chairman of the Citizens' Committee Against the Fare Rise, MacDonald explained that reduction in employees was directly related to the number of car riders. The yearly number of passengers, MacDonald said, has decreased approximately 200,000,000 from the 1948 total of 1,035,000,000.

"Our service," MacDonald went on, "is based upon the convenience of the public. We don't feel that we shold run empty cars up and down the streets if the people are not riding in them."

The hearings, which were adjourned last Friday, will be resumed for a three-day period beginning May 10.

* * *

Pittsburgh Railways Co.

The Pennsylvania Public Utility Commission announced its approval of the Combined Plan of Reorganization of the Pittsburgh Railways Co. and its underliers on April 26. The Securities and Exchange Commission has formally approved the Plan as being fair, equitable and feasible on March 27. Final hearings, preceding issuance of an effectuating order, were held last week before the U. S. District Court for Western Pennsylvania.

Elmer E. Bauer, Reorganization Trustee, states that cash on hand is sufficient to provide the new company with adequate working capital and to make the minimum distribution of $17,000,000 to security holders called for under the Plan.

Early in the year, new tariffs were filed with the Pennsylvania Public Utility Commission, to become effective Feb. 4, raising basic street car fares to 15 cents and basic bus fares to 20 cents. The Commission suspended effectiveness of the proposed schedules for six months, pending hearings which are now substantially advanced.

The Trustees have submitted estimates of earnings under the present and proposed fare rates based on the level of traffic prevailing in September, 1949. Such gross revenues, before interest and Federal and State income taxes but after $1,978,000 annual depreciation, are estimated at $1,398,000 and $3,747,000 per annum, respectively. The Plan calls for the issuance of new 5% first mortgage bonds in an amount not to exceed $6,000,000, on which annual interest charges will be $300,000, or less.

* * *

Scott Paper Increases Stock

Last week directors of Scott Paper Co. voted a 100% stock dividend to common shareholders of record July 27. The proposal will be presented to stockholders for ratification on July 17. The board also raised the quarterly dividend to 90 cents, payable June 12 to holders of record May 29. The two preceding quarterly dividends were 75 cents per share prior to which the rate had been 62½ cents.

* * *

Warner Company

Charles Warner, Chairman of the Board of Warner Co., told stockholders at annual meeting that company's contract position in central-mix concrete was well ahead of similar position a year year ago. Company is doubling the capacity of its central-mix facilities in Wilmington and has expanded its delivery service by the addition of 19 new large mixing trucks, bringing fleet total to 170.

* * *

For the 12 months ended March 31, Philadelphia Electric Co. reports all-time highs in sales, revenues and earnings. Net income rose to $25,255,081, or $2.01 per common share, compared with $1.70 per share in the preceding 12 months.

* * *

Pennsylvania Crude Oil

PITTSBURGH — The Joseph Seep Purchasing Agency of South Penn Oil Co. announces an increase of 11 cents per barrel in the various grades of Pennsylvania crude oil it buys. The boost is the first since last December.

* * *

Reading Co. has ordered 1,000 50-ton hopper cars from Bethlehem Steel Corp.

* * *

Thirsts Rise

PHILADELPHIA — Noting that sales of whiskey case goods showed substantial increases in February, March and April to a level greater than for any three-months, period since 1946, Charles P. Blinn, Jr., Vice-President of Publicker Industries, told annual meeting that 1950 promises better results than last year. For the present, the company will continue its policy of paying dividends in stock to conserve cash. Current loans of $12,000,000, he said, will be eliminated by the end of the year.

* * *

Westinghouse Electric Co.

Gwilym A. Price, President of Westinghouse Electric Corp., told stockholders that first quarter earnings were about 10% ahead of the comparable 1949 period despite a reduction in net sales billed. Net income was reported at $11,890,377, or 87 cents per common share, compared with $10,866,921, or 79 cents per share.

* * *

Pittsburgh Consolidation Coal

PITTSBURGH — Despite the costly mine strike during January, February and part of March, George H. Love, President Pittsburgh Consolidation Coal Co., told stockholders company would show first quarter earnings of about $800,000, or around 38 cents per share.

Interstate Securities Elect New Officers

CHARLOTTE, N. C.—Bruce St. John and William W. Rader have been elected Assistant Vice-Presidents and William R. Hackney, Jr., Assistant Secretary of Interstate Securities Corporation, Commercial Bank Bldg.

Joins Shields Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph P. Sylvester has become affiliated with Shields & Company, 135 South La Salle Street.

How High Is the Market?

Management of George Putnam Fund finds Dow-Jones Industrial Average does not give true indication of current stock market level, and holds prices are still well below 1946 level.

According to a research report of the George Putnam Fund, Boston, that familiar yardstick of the stock market — the well-known and much-discussed Dow-Jones Industrial Average — closed on April 19, 1950, at 215.21, or 2.71 points above its 1946 peak. To almost everybody, including many financial writers, this signified that "the stock market" had exceeded its 1946 high.

Having some doubts that the Dow-Jones Industrial Average is a reliable and accurate yardstick of "the market," the Fund had the following study made by a member of its research organization.

A Price Study of 188 Individual Stocks

M. C. Horsey & Co., New York, recently published an interesting book of charts showing the price record of "188 Selected Stocks" over the past 23 years. Obviously, not all of these stocks are "blue chips"—General Motors, duPonts, Eastmans, etc.—but they do represent a good cross-section of leading American corporations with hundreds of thousands of shareholders scattered across the country. Of the 188 stocks, 173 paid dividends during 1949.

A computation was made for each stock showing the percentage change from the actual 1946-47 high price to the closing price on April 19, 1950—on which day the Dow-Jones Industrial Average was **above** its 1946 high.

Results of Study

On April 19, 1950—the day the Dow-Jones yardstick said that the market was above its 1946 highs—these 188 stocks, reports the George Putnam Fund, sold as follows relative to their 1946-47 highs:

Fourteen of the 188 stocks, or 7%, were **above** their 1946-47 highs.

Thirteen of the 188 stocks, or 7%, were **0-9% below** their 1946-47 highs.

Thirty-seven of the 188 stocks, or 20%, were **10-24% below** their 1946-47 highs.

Fifty-nine of the 188 stocks, or 31%, were **25-49% below** their 1946-47 highs.

Sixty-five of the 188 stocks, or 35%, were **50% or over below** their 1946-47 highs.

In other words, says the Fund, on April 19, 1950, **over 65% of these 188 representative stocks were selling 25% or more BELOW their 1946-47 highs, and 35% (or one out of every three) were 50% or more BELOW their 1946-47 peak prices.**

Conclusions

On the basis of the above evidence, the Fund contends:

"(1) That the Dow-Jones Industrial Average does not give a true measure of where common stocks are selling currently relative to their 1946-47 highs, and

"(2) That the great majority of individual stocks are selling today well **below** (25% or more) their 1946 highs."

"The above brief analysis," the Fund observes, "obviously does not purport, in any way, to be an answer to the question of whether the market is 'high' or 'low' or whether it is going up or down. It does suggest that we ought to measure recent statements about the height of the 'market' with a more accurate yardstick."

The Role of U. S. Imports In Restoring World Economy

By A. M. STRONG*

Vice-President, American Nat'l Bank & Trust Co., Chicago

Prominent foreign trade specialist recounts postwar derangements in international commerce and outlines chief causes of the current dollar shortage. Notes shift in U. S. foreign trade from Europe to outside countries, and concludes most important step to remedy unbalance in U. S. foreign trade is for Europe to increase exports to United States. Urges simplification of U. S. tariffs and customs procedures.

While the world is divided into political units and the form of government differs in each country, the principles of international trade are the same for all nations. Democratic United States, socialistic England, and communistic Russia must import a variety of goods which are not found at home to provide for the everyday needs of its population. We in the United States despite the abundance of raw materials and despite our fertile land could not maintain our present production and standard of living without the importation of certain raw materials, semi-manufactured products and other mined, grown or produced in other lands. Likewise, other nations could not maintain their standard of living without imports from us and from other countries.

A. M. Strong

In the overall picture of world trade, exports and imports balance since the exportation of one country is the importation of another country. However, the exports and imports of individual countries as a rule do not balance. We sell more goods to other nations than we buy from them and have a surplus of exports. On the other hand, most countries buy more than they sell and they have a surplus of imports.

Our trade with the rest of the world was negligible in the early days of our nation. However, today we are the leading trading country of the world. In 1780 our exports and imports represented 1.6% of the world trade. In 1949 our exports represented approximately 21% of the world's exports and our imports about 12% of the world's imports.

The import trade of the United States contributed to the development of many countries. Our large purchases of crude rubber, tin, tungsten, bauxite, jute, wool, raw silk, drugs, spices and tea, have been supporting the economies of the Far Eastern countries. Our imports of diamonds, rubber, furs, cotton, asbestos, manganese, tin, chrome, etc., contributed to the development of Africa. Our purchases of nickel, asbestos, industrial chemicals, fertilizers and pulp wood have been important to the economy of Canada. Our purchases of pulp, furs, tobacco, industrial chemicals, edible oils and many manufactured articles have been assisting Europe. Our imports from the dependencies and colonies of the European nations materially helped these nations in balancing their international trade.

In the prewar years world trade was carried on through a system of triangular transactions. The proceeds of sales in one country were used for purchases in another country. For example, Japan sold goods to France and converted the francs into dollars for purchases in the United States; Belgium sold goods to England and used the pounds to purchase goods in Brazil, etc. — Foreign trade balanced itself largely through the convertibility of moneys. The picture has now completely changed. Most of the world currencies are unstable and have greatly depreciated during the last decade.

Rates of Leading Foreign Currencies in August, 1939, and to the End of 1949

COUNTRY—	Dollars per 100 1939	Dollars per 100 1949	% Incr. or Decr.
Austria	$18.90	$7.00	—67
Belgium	3.37	2.00	—40
Brazil	5.12	5.50	+ 7
Czechoslovakia	3.42	2.00	—42
Denmark	20.34	14.50	—29
England	4.46	2.80	—37
France	2.51	0.29	—90
Germany	40.06	27.75	—31
Greece	0.81	0.01	—99
Italy	5.20	0.16	—97
Netherlands	53.33	26.30	—51
Norway	23.22	14.05	—40
Sweden	23.99	19.36	—19
Switzerland	22.55	23.30	+ 3

With few exceptions the countries of the world maintain controls over their moneys and controls over their international trade. Foreign moneys are no longer convertible into American dollars. An American exporter cannot sell goods in Spain for pesetas or in Sweden for kronor and exchange the pesetas or kronor into American dollars. The Spanish or Swedish governments will not permit him to do so. Likewise, most countries require that any proceeds from the sale of goods in the United States be delivered to an agency of the government which retains the dollars and pays the exporter in local money at the official rate.

To control the flow of money and commerce most countries have adopted a policy of bilateral agreements. At present, almost every European country has an agreement with some other country. These agreements are of various types. Some do not allow any trade between the two countries except in the products and quantities agreed upon. Others set up bilateral credits which limit the transactions between the countries. These exclusive agreements, quantitative restrictions and controls are stifling international trade.

The Dollar Shortage

You have heard a great deal about the shortage of dollars. It is hardly possible to consider any phase of foreign trade without encountering the dollar problem. In the prewar years, the shortage of dollars was met primarily through the convertibility of foreign moneys. In those days a country was not short in dollar if it was long in pounds, pesos or francs. Today, a country is short in dollars even though it may have a substantial pound, lire or franc balance.

The dollars shortage has become acute since the war. There are five basic reasons for this condition:

(1) The concentration of industrial capacity in the United States as a result of the war. Other nations must buy from us to a much greater extent than before the war.

(2) The failure of Europe and the rest of the world to capture an adequate share of the United States markets and earn dollars through exports to these markets.

(3) Foreign trade barriers and restrictions.

(4) The loss of dollar assets and gold by other countries as a result of the war and as a result of unwise spending after the war.

(5) The instability and nonconvertibility of the moneys of the world.

The disequilibrium of American foreign trade has been growing since the turn of the century.

YEARLY AVERAGE OF U. S. EXPORTS AND IMPORTS FOR SELECTED PERIODS

(IN MILLIONS OF DOLLARS)

	1901-1910 Exp.	1901-1910 Imp.	1911-1915 Exp.	1911-1915 Imp.	1931-1935 Exp.	1931-1935 Imp.	1936-1940 Exp.	1936-1940 Imp.	1949 Exp.	1949 Imp.
Canada	153	66	337	131	300	236	522	369	1,958	1,552
Latin America	190	294	305	470	304	421	609	584	2,900	2,445
Europe	1,132	594	1,517	798	960	516	1,333	627	4,115	925
Asia	87	177	133	270	350	490	535	785	2,218	1,241
Oceania	31	13	52	19	49	18	89	36	195	125
Africa	23	14	27	24	62	32	132	81	616	338
TOTALS	1,616	1,158	2,371	1,712	2,025	1,713	3,220	2,482	12,002	6,626
Yearly Deficit	— 458 —		— 659 —		— 312 —		— 738 —		—5,376—	

As a matter of fact, the international merchandise transactions of our country have never been balanced. Prior to 1875 it was necessary for us to import more goods than we exported. We were, therefore, short in dollars for our overseas purchases. After 1875, we exported more than we imported and other nations were, therefore, short in dollars for their purchases in the United States.

Prior to 1940 with the exception of the first World War period the deficit in the merchandise trade between the United States and other countries was balanced by gold shipments, personal remittances, investments and service earnings. However, after 1940, our foreign trade deficit was largely financed by government grants and loans.

U. S. EXPORTS AND MEANS OF PAYMENT

	1914-1940 27 Years	1941-1948 8 Years	1914-1948 35 Years
Exports	143,242	127,043	270,285
Imports	105,953	63,277	169,230
Deficit	37,289	63,766	101,055
MEANS OF PAYMENT			
Liquidation of Gold & dollars	13,497	2,084	15,581
Remittances	7,538	3,150	10,688
Private Loans & Investments	7,923	2,418	10,341
International Monetary Fund and Bank	----	1,146	1,146
U. S. Government Grants	305	48,652	48,957
U. S. Government Loans	9,734	9,073	18,807
Totals	38,997	66,523	105,520
E & O	—1,708	—2,757	—4,465
	37,289	63,766	101,055

An analysis of our dollar imbalance in 1949 shows that 59.4% of our deficit was with Europe, 18% with Asia, 8.5% with South America and 13.5% with the rest of the world as follows:

U. S. Export Surplus 1949

	Deficit	%
Canada, Newfoundland & Labrador	406	7.6
South America	455	8.5
Europe	3,190	59.4
Asia	967	18.0
Oceania	70	1.3
Africa	278	5.2
	5,376	100.0

The dollar shortage in Latin America is primarily due to unwise spending after the war and to the lack of diversified exports to the United States.

The imbalance of our trade with Europe and the causes responsible for the European shortage of dollars were well summarized in a report by the Special Mission of the Economic Cooperation Administration which visited Europe last summer. The report states:

"As far as Europe is concerned, it was generally speaking, possible, although increasingly difficult, to balance external accounts through the triangular and multilateral system of international payments in the years before World War II.

"The war brought profound changes which upset this delicate balance. The story is familiar. In the first place, Britain and several other European countries suffered a permanent loss of a large part of their overseas investments, as well as at least a temporary loss of shipping and other sources of 'Invisible' income. This was a major setback, since invisibles including earnings on investments were strategically important means of balancing their external payments.

"Second, physical disruption and the loosening of political ties in the Far East, accompanied by development of synthetic materials in the United States has reduced the volume of our purchases of such major items as rubber, silk, tin, and jute and has thus diminished the flow of dol-

Continued on page 36

*An address by Mr. Strong before the Fifth Mississippi Valley World Trade Conference, New Orleans, La., April 20, 1950.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Greater interest seems to be developing in the intermediate-term eligible issues, because investors and traders appear to believe these securities are now at levels which have pretty well discounted future financing. The June, 1952/54s, the 1956s and some of the shorter maturities are being acquired by commercial banks. The partially-exempts are also being bought for maturity purposes, with the 2⅞s and the 1960/65s, still the best-liked issues in the group. The bank 2½s of September, 1967/72 continues to be taken out of the market, mainly by out-of-town banks.

The tap issues continue to back and fill near their lows for the year, and the appeal here is to savings banks, small insurance companies and pension funds. Price stability in the restricted bonds, according to dealers and traders, is a matter which time and economic trends will determine. The Victory Loan issues, despite pressure by the authorities, are being well bought by institutions that must have yield and this buying is still sizable. Swaps continue to be made from the 2¼s of 1959/62 into the longest tap bonds.

DISAGREEMENT ON SOURCE OF NEW BORROWINGS

Treasury Secretary Snyder's statement that large-scale financing is probably out until the next fiscal year, does not, however, mean there will not be substantial borrowings before the calendar year is over. The deficit must be covered and this will entail sizable operations by the Treasury in the money markets before 1950 is over in order to meet current needs as well as maturities. Treasury balances will no doubt be allowed to go down, but sooner or later there must be a building up of the cash position by the government, and with it should come some kind of a pattern or policy which the monetary authorities will have agreed upon. At the moment there still seem to be differences between the Treasury and Federal as to how the coming borrowings should be done. Evidently the latter would like to sell securities to ultimate investors and in this way not add to the inflationary pressure which is still strong. This may be the reason for the talk that non-marketable issues should be used. However, this seems to have been frowned upon by the Treasury.

On the other hand, it appears as though the Treasury would prefer to finance new borrowings by selling securities to the commercial banks. This would tend to keep the cost of the financing down, but would add to the inflationary forces which are likely to continue in the limelight for some time yet. If past records mean anything, and they have, it would seem as though the Treasury would have its way, and this probably means the bulk of the new money will be raised by selling securities to the deposit institutions. This should result in bills, certificates, notes and medium-term maturities being sold to the commercial banks. Federal by selling securities in open market, can in some measure offset inflationary monetary developments, but this would not be as effective as if there were complete cooperation and agreement by the monetary authorities, on impending operations.

BUSINESS CONDITIONS TO GOVERN RATES

If the current boom in business should run its course by the end of the year or early 1951, a program of financing the deficit by selling new securities to the commercial banks may not be as disturbing as some are inclined to believe. The big element of uncertainty in the whole picture is whether expenditures will be contained within present limits. If there should be a sizable increase in military expenditures, which would further add to the deficit, despite higher taxes, the boom would no doubt be extended.

However, bigger and larger deficits would entail more borrowings by the Treasury. Does it seem as though the Treasury will be inclined to let rates advance if the amount of new money to be raised should be substantially increased? If the deflationary forces should be in the ascendancy in the not too distant future, the feeling is that money rates would tend to soften since there is evidently no desire on the part of any of the monetary authorities to have the economic system thrown completely out of gear.

FORTHCOMING MATURITIES

As to the June maturity, there seems to be considerable support for the opinion that a 22-months 1⅜% obligation might be offered in exchange for the 1¼% certificate. This would be in keeping with the policy of putting certificate maturities on a quarterly basis. The September certificates, it is believed by some observers, could either be put into an October 1951 maturity or grouped with the January 1952 issue.

Although no definite pattern is likely to evolve in the money markets in the near future because greater price fluctuations are desired by the monetary authorities, especially in the shorter end of the list, no abrupt changes are expected from current levels. Many informed followers of the money markets believe a 1¼% certificate rate is as high as should be expected for some time. The long-term obligations will no doubt be kept under pressure, but a 2.40% basis for the Vics is still being predicted by many as the highest yield to be expected.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS


David C. Bevan

David C. Bevan, Treasurer of the New York Life Insurance Company, has been elected to the Advisory Board of the Fifth Avenue at 29th Street office of the **Chemical Bank & Trust Company of New York.** Mr. Bevan was graduated from Haverford College with the class of 1929 and from the Harvard Graduate School of Business Administration in 1931. From 1931 to 1942, Mr. Bevan was a member of the trust department of the Provident Trust Company in Philadelphia. In 1942 Mr. Bevan became associated with the War Production Board in Washington, D. C. He was a member of the Lend Lease Mission to Australia in 1943 and 1944, and in 1945 he was Assistant Head of the Mission of Economic Affairs in London. On Jan. 1, 1946, he returned to the Provident Trust Company as an Assistant Vice-President in the banking department. Mr. Bevan was appointed an Assistant Treasurer of the New York Life Insurance Co. Oct. 15, 1946, and in April, 1947 he was appointed an Assistant Vice-President. He became Treasurer of the company in May, 1949.

Donald C. Platten has been appointed an Assistant Secretary at the 30 Broad Street office of the **Chemical Bank & Trust Company** it was announced on April 27 by N. Baxter Jackson, Chairman. Mr. Platten is the grandson of John W. Platten who was President of the United States Mortgage & Trust Co. and Chairman of Chemical Bank & Trust Company in 1929 and 1930, following the merger of the two banks.

* * *

William F. Treiber, Assistant Vice-President, has been appointed a Vice-President of the **Federal Reserve Bank of New York** effective May 1, Allan Sproul, President, has announced. Edward G. Guy, attorney in the Legal Department, has been appointed Assistant Counsel, it was also announced. A native of New York City, Mr. Treiber was graduated from Columbia College in 1927 and from Columbia University Law School in 1929; he is also a graduate of the Graduate School of Banking at Rutgers University. After association in the general practice of the law with Sullivan & Cromwell, and with Robb, Clark & Bennit, he joined the Federal Reserve Bank as an Assistant Counsel in 1934. He served as Secretary of the Bank from 1942 to 1949, becoming an Assistant Vice-President in 1945. As Vice-President, he will have general administrative duties as an Assistant to the President and the First Vice-President. Mr. Guy, who joined the Bank in 1940 following graduation from Harvard Law School, served with the Navy from 1942 to 1945, and was discharged with the rank of Lieutenant, Senior Grade.

* * *

The **Marine Midland Trust Company of New York,** on May 2 had its Fourth Annual Dinner of its Quarter Century Club at the Waldorf-Astoria Hotel at which five new members were admitted. This brings the membership of the Quarter Century Club to 55 members whose service represents 1,740 years in the employment of the company. All new members received engraved gold watches and become eligible for four weeks' vacation a year. Guest speakers at the dinner included James G. Blaine, President, Charles H. Diefendorf, President of the Marine Midland Corporation and Bayard F. Pope, Chairman of the Marine Midland Corporation. The Quarter Century Club represents approximately 9% of the total personnel of The Marine Midland Trust Company of New York.

* * *

S. Sloan Colt, President of **Bankers Trust Company, of New York,** announced on May 1, that J. P. Dreibelbis, Vice-President, has been placed in charge of the banking department. Mr. Dreibelbis takes over this responsibility from Alex H. Ardrey who, since his election as Executive Vice-President of Bankers Trust in 1948, has been performing the functions of both offices. Prior to assuming this new post, Mr. Dreibelbis has been in charge of the out-of-town division of the banking department. He came to Bankers Trust in 1945 as Vice-President in charge of its southwestern business. After serving as Assistant City Attorney in Dallas, Mr. Dreibelbis was war born in Fort Worth, Texas, practiced law in Dallas for some years. During the bank holiday he served as Special Counsel for the Comptroller of the Currency in charge of the reorganization of national banks, and for 10 years prior to joining Bankers Trust, Mr. Dreibelbis was associated with the Board of Governors of the Federal Reserve System, first as Assistant General Counsel and finally as General Attorney of the Board.

* * *

Following a meeting of the Board of Directors of the **Bank of the Manhattan Company of New York,** on April 27, Lawrence C. Marshall, President, announced the appointment of Leonard Casey and Walter G. Pedersen as Assistant Treasurers. Mr. Casey is attached to the bank's Mortgage Department and Mr. Pedersen the Real Estate Department.

* * *


Edw. G. Lowry, Jr.

The election of Edward G. Lowry, Jr., to the Board of Directors of **The Marine Midland Trust Company of New York** was announced on May 2 by James G. Blaine, President. Mr. Lowry is Chairman of the Board and President of General Reinsurance Corporation and North Star Reinsurance Corporation, and a Director of United Drill and Tool Corporation and Dorr Company. He is also a trustee of Bowery Savings Bank. A graduate of Woodberry Forest School, Woodberry Forest, Va., he also holds an A.B. from Harvard, a B.A. from Balliol College, Oxford University, and an LL.B. from Columbia University Law School.

Our Trade Policy Toward Eastern Europe—An Enigma

By STELLA MARGOLD*

Economist holds our government is giving lip service to need for worldwide trade, while it is inconsistently maintaining restrictions entailing black markets. Notes our propping of state-controlled governments in Western Europe while blackballing the Eastern countries. Contrasts our official pronouncements advocating non-interference with form of foreign governments with our trade policies. Cites England's substantial shipments to Iron Curtain countries.

Our policy with respect to trade with Eastern Europe is an enigma. On the one hand our government by means of lip service stresses the need for worldwide trade to maintain a prosperous and healthy economy, on the other hand it institutes and maintains restrictions. These restrictions, as all controls are wont to do, lead to black markets and do not accomplish their ends.

Stella Margold

As President Truman said, in his message to Congress of Dec. 19, 1947:

"The report of the 16 nations and the program now submitted the Congress are based on the belief that over the next few years the normal pattern of trade between Eastern and Western Europe will be gradually restored."

On one of my trips to Eastern Europe—I was there every year since the War—an American Ambassador remarked, "The political dilemma is that we recognize the necessity for East-West trade; we recognize that unless about $2 billion or $2½ billion of present dollar imports made by Western Europe is transferred from the dollar area to the non-dollar area, that Western Europe cannot solve her balance of payments, yet we say we are not going to let the natural process go on. So the people here say, 'What sense is that? If you put obstacles in the way of our trading, we can get our needs elsewhere'."

The Large Potential Market

In Eastern Europe, including Russia, we have a large potential market. Russia, in particular, can pay for everything she buys with gold, dollars or goods we need. And of all the Eastern European countries Poland was our best customer since the war. During the years 1947 to 1950, she bought several million dollars more goods from us than the Soviet Union. More details about Eastern European trade will be referred to later. A few comments follow about the operation of export controls.

Export controls were instituted at first to protect our American economy from an unwarranted drain of scarce commodities, to support and promote our foreign policy, and to protect our national interest. National interest is now more commonly referred to as national security. As goods became plentiful, national security became an increasingly important factor in the control of exports, especially to Eastern Europe. But have we succeeded in our policy of containment, and have we protected our national security?

From outward appearances we have succeeded in our foreign policy of containment, that is to keep Communism or Socialism, Russian style, from the countries we are aiding. To one who visits Europe frequently and talks to natives in all walks of life, it would appear that the danger of more leftist tendencies has not been removed in Western Europe. Our aid went to the producer, with no strings attached. We overlooked the fact that as long as the standard of living is below prewar, the danger of Communism still exists. Nor have we modified the tendencies of many "friendly" governments toward state control of industry and general governmental control of private industry and trade.

Similarity of England to Eastern Countries

Allan Sproul, President of the Federal Reserve Bank of New York, said at the National Foreign Trade Council Convention in 1948:

"The similarities between the new order in England and other European countries we are propping, with those of the Eastern Bloc should be realized, and even if differences do exist, they need not affect our trade as long as these countries are as honest in their dealings as they were prior to World War II."

According to a British diplomat, who was en route to the United States on the ship I was traveling, the SS America, a few weeks ago, it would appear that even if the Conservative Party in England should win in the coming election in the fall, they will not upset the expensive welfare reforms instituted by the Labor Party. When Baldwin followed MacDonald he retained the reforms instituted by MacDonald, only making minor modifications. It will probably be the same when a new Conservative Prime Minister substitutes for Mr. Attlee. Nationalization, however, will no doubt be slowed up.

I indicate these facts merely to point out, (1) that our policy of containment has not made "friendly" nations follow the free enterprise system as we know it and want it; and (2) that the form a government takes should not interfere with our trade. If, however, we are planning a war with a particular country, we should protect our national security. But export controls have not succeeded in doing this.

I don't know what technical data is going over to the Soviet orbit, but I do know from a reliable source that Poland was receiving from England all the Kellex explosive chemicals she desired. These are made in the United States and are highly restricted from export to countries in the Soviet sphere.

On June 6, 1948 the New York "Times" ran a story entitled, "ERP areas selling 'WAR' aid to Soviet—Heavy Industrial Equipment, Which We Embargo, Flows in Increasing Volume."

England's Exports to Iron Curtain

An examination of England's exports to countries behind the so-called "iron curtain" during one month, January, indicates England shipped 906 tons of tinplate to the Soviet Union in January 1949. To Poland she sold 30 tons of iron and steel and manufactures thereof in January 1948, 108 tons of the same in January 1949, and 63 tons in January 1950; to Hungary 34, 10, and 81 tons respectively during January of the same years.

We regard tinplate as a strategic material even if it only goes into cans for food, because the cans can be saved for army use. It isn't necessary to indicate that iron and steel and manufactures thereof are restricted, nor other items which follow.

England is selling non-ferrous metals and manufactures, copper and brass and other alloys of copper, alloys of tin, lead, zinc, antimony, and so on, to Czechoslovakia, Poland and Hungary. Also cutlery, hardware, implements and instruments—scientific and appliances — go to the Soviet Union, Poland, and Czechoslovakia.

Of electrical goods and apparatus, electric cables, wires, strip, and strands insulated, 303 tons went to Eastern Europe in January 1949, electrical instruments (other than telegraph and telephone) went to the Soviet Union in January 1948, 1949 and 1950. During the same month and years, other electrical goods, not specified, went to the Soviet Union, Poland, Hungary and Czechoslovakia.

Under electrically operated boilers, boiler house plant, we see shipments to the Soviet Union in January 1948 and 1949, and to Poland in January 1950. Likewise in the same month and years, generating sets and generators, including leveling machinery, machine tools, metal working, other than portable power tools, went to the USSR, Poland, and Czechoslovakia. Of generator sets and generators alone the amount to the USSR in January 1949 was £573,666, and in January 1950, £709,312. And during January 1950 alone, there were shipped 87,906 tons of machinery to the Soviet Union, valued at £1,468,201. Mining machinery, other than portable power tools, went to Poland and Czechoslovakia in January 1950. The same month the USSR got £289,601 of machine tools, other than portable power tools, and Poland £82,140 of mining machinery.

Under internal combustion engines, marine, where Russia and her neighbors are not listed, there is an unusually large amount going to "other countries." The total for all countries throughout the world, excluding Eastern Europe, is £331,283 during the one month, January 1950, while the total for "other countries" is £273,621 during the same month. What are these other countries that are so difficult to name?

Of locomotives, ships and aircraft, mechanically propelled, rubber tires and tubes, there were shipments to Poland, and of vehicles, including locomotives, ships and aircraft, shipments took place to Poland, Hungary and Czechoslovakia, in January 1950. We know that Poland gets 10,000 ton tankers from England.

England, of course, sells other items to Eastern Europe, as woolen and worsted yarn, drugs, medicines and medicinal preparations and chemicals, drugs, dyes and colors. Textile machinery is going to Poland and Czechoslovakia, machinery and parts thereof to the USSR, Poland, Hungary, Czechoslovakia and Rumania.

It is not only England that supplies capital equipment to Eastern Europe. Other countries, as Sweden, Switzerland, Belgium and France, share in the trade. According to the commentator, over CBS radio last Sunday, at 8 a.m. April 15, whom many of you may have heard, the British are bringing pressure to bear on American authorities in Germany to permit Western Germany to sell to Eastern Europe restricted commodities for war potential in order to bolster Western German economy.

Materials for War Potential

Not only from the trade statistics of England and the comments of J. Mishell George of the Department of Commerce can we gather that Eastern Europe is well supplied with materials for war potential, but Joseph Alsop in his article in the Philadelphia "Evening Bulletin," Wednesday, April 12—just this last week—entitled, "Russia Rearming with New Weapons," came to the conclusion that Russia gets what she needs for her war effort. He tells in his story about Intrac, the vast new trading agency set up by the Soviet Union and all its friendly neighbors with a view to gaining a stranglehold on the half-secret commerce between East and West. This agency was set up in Vienna, and Mr. Aslop adds, "Here in Vienna is where Soviet or Satellite agents chiefly come to obtain whatever is forbidden to export to Russia through chains of 3rd, 4th and 5th parties from Switzerland or Belgium or France or elsewhere" . . . "there is everything to suggest that the level and intensity of production of weapons beyond the Iron Curtain even surpasses what was seen during the last war."

Like in 1920, when England made a scramble for trade wherever she could get it, so she is doing today. The British-Soviet Russian trade and financial agreements of 1947, intended for a short period, are still functioning. They are analyzed in my book, *Let's Do Business with Russia*, published by Harper & Brothers. Britain's 5-year trade agreements with Poland and Czechoslovakia of 1949 are further evidences of England's farsightedness in grasping these markets to the exclusion of American business.

Contrasting British Policy

It is regrettable that the United States which seems to emulate Great Britain in many respects, even blinking at her changed economic system, does not see her way clear to imitate her trans-Atlantic cousins where it would be to the distinct advantage of our country and the interests of the American people to maintain a prosperous economy, based on normal exchange of goods, paid for through normal channels.

Continued on page 37

*From a talk by Miss Margold before Buffalo World Trade Ass'n, Niagara Falls, N. Y., April 20, 1950.

Mutual Funds

By ROBERT R. RICH

Pension Trusts Are Growing Part of Mutual Funds

Pension trusts, retirement funds and profit sharing trusts are accounting for an increasing volume of investment in mutual funds shares, according to a survey completed by Dudley Cates, Kidder, Peabody & Co. This growing interest in mutual funds is viewed as marking the abandonment by many pension fund trustees of the principle that funded pension and retirement plans must rest on a "riskless" investment base, with its low rate of return.

22 Funds have 184 Employee Benefit Plans

Based on confidential data gathered covering the principal mutual funds companies, representing over 75% of this $2 billion industry, the survey indicates that as recently as March 15, 1950 not less than 184 employee benefit plans, including pension and profit sharing trusts and retirement funds were identified as holding shares in 22 different mutual funds with a market value of approximately $4,191,800.

This group of employee benefit funds covers a diversified list of business activities, including a department store, paint and varnish manufacturing, a mutual fund organization and certain important foreign corporations. At least two mutual funds, the survey adds, can boast over 25 different holders of the employee-welfare type, with individual investments ranging upward of $100,000.

Sales of mutual funds are currently running at the rate of more than $500,000,000 a year and approximately 850,000 investors now own mutual funds.

Wellington Fund Head Backs Dealer Distribution

Walter L. Morgan, President of Wellington Fund, stated that the public has been and is best served when the retail sale of Wellington Fund shares is effected by a nationwide group of investment dealers.

Mr. Morgan made the statement in an open letter to security dealers throughout the country. The letter was prompted by recently published reports that some mutual fund sponsors are considering establishment of their own retail outlets.

The mutual fund executive emphasized the point that it is his conviction that the investment dealers represent not only the normal distributive channels for the retail sale of all securities and mutual funds in particular, but that they are in the best position to select for their clients that security and mutual fund which best suits the clients' individual needs.

Mr. Morgan pointed out that the Wellington management and sponsor group are sincerely appreciative of the fact that the distributive efforts of the security dealers have made possible the growth of Wellington Fund. "Each dealer, partner and representative," he wrote, "who has by his efforts contributed to Wellington's growth has in turn made possible the further reduction in costs of management recently announced."

Mr. Morgan assured dealers that the efforts of "our sponsor organization are directed, through activities of an educational and sales promotional nature, to help dealers get a greater share of the available funds that might well be wisely served by an experienced investment management group." He added: "We will continue our efforts to aid you in every way in your distribution of Wellington Fund shares."

Keystone $32,000,000 Ahead Over 1949 Period

Combined net assets of the ten Keystone Funds on March 31, 1950, totaled $205,219,200, an increase of $32,101,500 from the $173,117,700 reported for March 31 of last year. The number of shareholders was 53,011 compared with 51,108 on the corresponding date last year.

Net assets of the high-return bond fund B4 increased to $28,587,393 on March 31, 1950, equal to $10.01 per share. This compares with net assets of $22,790,126 a year earlier, amounting to $8.89 per share. During the 12-month period, the number of shares outstanding increased from 2,564,923 to 2,856,583. The report of the Keystone high-grade common stock fund S1 shows net assets of $3,589,213 on March 31 of this year, compared with $3,283,484 at the close of March, 1949. Net asset value per share increased to $30.01, for 119,597 shares, from $25.06 on 131,036 shares a year ago.

Fundamental Has Biggest Quarter in History

One of the largest increases in assets in any quarter of its 17-year history was reported by Fundamental Investors, Inc.—mutual investment fund—in three months ended March 31. Net increase was $6,701,244, bringing total net assets to $62,122,232. During the quarter, shares outstanding increased from 3,712,195 to 4,044,567 and number of holders from 18,126 to 20,048.

Net asset value per share on March 31 was $15.36 comparing with $14.93 on Dec. 31 and $13.04 on March 31, 1949.

Majority of holdings on March 31, last, were in common stocks, representing 91.4%. Cash and receivables were 6.0%; bonds 1.8% and preferred stocks .8%.

In his letter to shareholders in the March 31 report, President Edmund Brown, Jr., comments on the increasing flow of funds available for investment in securities, pointing out that a substantial part of such funds goes into common stocks because of the wide divergence in yield between bonds and stocks. "The market," he says, "is feeling the impact of increased buying by trust funds, insurance companies and mutual funds; and there is a large potential demand from the newly formed pension funds," adding that "the basic situation still seems to support a policy of substantially full investment."

New England Fund Assets Increase

New England Fund reports an increase in total net assets to $3,200,351 on March 31, 1950, amounting to $15.97 per share on 200,404 shares. This compares with net assets of $2,793,297 on March 31 of last year, amounting to $14.13 per share on the 197,685 shares then outstanding.

During the first quarter of the present year net assets increased by $228,886 from the total of $2,971,465 at the close of 1949, when net asset value per share was $15.33 on 193,794 shares.

Concord Assets Rise

Concord Fund net asset value on Dec. 31, 1949, was $9.95 a share and on March 31, 1950, $10.21. The net assets on Dec. 31 were $289,488.46, and on March 31 they were $425,211.90. The Fund is currently approximately 50% invested in common stocks.

McGillicuddy and Williams on Philadelphia Board

Philadelphia Fund, Inc., announces two additions to its board of directors with the election of Cornelius J. McGillicuddy, Jr., treasurer and director American League Baseball Club, Philadelphia, and John S. Williams, President and director of Williams & Marcus and Chairman of the board of Barnes & Williams.

Commodity Fund Files

Futures, Inc., New York City, on April 26 filed with the Securities and Exchange Commission a letter of notification covering 55,000 shares of capital stock (par $1) to be sold at net asset value, plus commissions. Underwriter, Futures Distributors, 40 Wall Street, New York City. Proceeds are for purposes of buying, selling or selling short commodity futures or commodities with a view to capital appreciation.

Henry W. Abbot With Fidelity Inv.

Henry Ward Abbot has recently been appointed wholesale manager of Fidelity Investment Associates, Inc., a mutual fund.

W. P. Clancey Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Richard Senior has become connected with W. P. Clancey & Co., First National Bank Building, members of the Cincinnati and Midwest Stock Exchanges.

With P. C. Rudolph Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — John W. Babcock, A. W. Grant, Jr. and Holland C. Pile have become associated with Paul C. Rudolph & Co., 40-D South First Street.

Continued from first page

Strategy for Combating Federal Budget Bulge

mand on the Western Front had to analyze the motives that lay back of the desperate thrust, make a shrewd estimate of what resources were available to the Germans, estimate what their objectives would be, and decide how far these forces would have to be allowed to spend themselves before they could be effectively countered. Then the Allied chiefs of staff took inventory of what resources of men and materiel they had and how these resources were distributed. On this basis, they decided on a coordinated strategy of defensive and counter-offensive measures. Only as these appraisals were soundly made and a broad plan competently devised, and only as all the parties to its execution united in their effort could victory be achieved. You all know how well those conditions were met, how irresistibly the containment proceeded and became the basis for a series of related counter-thrusts ending in complete repulse of the Germans and our march to Berlin—and beyond.

Nature of the Break-Through

What does the word "bulge" mean in connection with our session this afternoon? To my mind, it means that our complacent expectation of returning to something approaching postwar fiscal normalcy was upset by a new military threat in the spring and summer of 1948. We were at that time running a Treasury surplus and enjoying a justifiable measure of confidence that we would be able to manage a debt of the enormous size necessitated by the war and that we would continue such level of Treasury surpluses as would operate effectively to damp off the fires of inflation. But on March 17, 1948, the President went before the Congress with news that a Russian break-through on the diplomatic front would necessitate a check of the rapid disarmament which we had planned and had had under way. The Congress shortly responded with an increase of $3.5 billion added military authorizations.

Even before this we had heeded the cry for help from Western Europe and launched the Marshall Plan to strengthen its industrial and commercial structure so as to make a solid civilian base for military security against possible Russian aggression. Together the cost of the cold war and our economic cooperation with the non-Soviet world account for sums as great as or greater than the budget bulge, measured by current and prospective deficits. Stated from the other side, the current level of deficits is about the same as the amount of tax reduction voted in the summer of 1948. Such was the financial break-through with which we are still contending.

Now, there are government officials, members of the Congress, economists (including some of considerable prominence) and possibly even some businessmen who are not concerned about the present state of government finances. They might say that the Chamber's program-makers have relied on a false analogy and employed "scare words" in phrasing the title of this session. In essence, they argue that if we do not become unduly alarmed, the threatening tide of increasing debt will shortly abate. The pending budget, with its estimated deficit of another $5.1 billion on top of this year's deficit of $5.5 billion (more likely $7 billion) is described by the Administration as "a sound basis for moving toward budgetary balance in the next few years." In other words, those menacing Germans will shortly turn around and march back home. They were just out for a little healthful exercise.

I happen to belong to a different, a more old-fashioned, school of thought. I admit "I do not understand deficit financing" in this bland and complacent sense. I think that slipping into deficits as a way of life is threatening the industrial security of our country, on which we have to rely if the cold war goes on and, still more, if a hot war develops. Continued deficits will threaten the value of, or public confidence in, the Nation's basic monetary unit. And it is only upon confidence in that unit that the sustained activity and stable prosperity of all kinds of business can be built.

Four Phases of Strategy

Half my cards are already on the table in thus showing you exactly the premises from which I proceed in suggesting a national economic strategy for meeting a danger which I believe to be greater in its scope and menace than was the local bulge across the Roer. Now I'll put my remaining cards down in a series of brief propositions about a strategy for victory in correcting the budget bulge.

First, we can't correct the budget bulge if we yield in the matter of military expenditures every time Joe Stalin throws a scare into us. We must have the imperturbability of a General McAuliffe to say "Nuts" when an industrially primitive and illiterate country tries to bluff us as to our respective abilities to wage industrialized warfare. I do not venture an opinion as to just what figure should be set for the military budget. I have not even seen the voluminous diplomatic and military data whose study is indispensable to judge that issue. But I do feel qualified as an economist to raise a note of warning when the issue is decided unilaterally without weighing all the economic data and analysis of economic capacities and impacts over against the military and diplomatic yen for impregnable strength.

As I emphasized in a series of speeches at successive citizen orientation conferences at the Pentagon, security is a global concept. It is not attained by building up a military machine at the expense of a sound economy—which is no stronger than the financial foundation on which it rests. We all see the folly of the Mississippi steamboat owner who put on such a big whistle that the engines stopped when he blew it.

This is no issue between Democrats and Republicans but between economic statesmanship on the one side and fear complexes and power drives on the other. I deeply respect the tenacity with which the President enforced the $15 billion limit on the military budget last year and the $13.5 billion limit this year. I admire also the vigor and skill with which the Secretary of Defense has been carrying out this retriction. I hope these public servants have not now decided to climb on the bigger military bandwagon—with its two super-distinguished drivers.

Second, whatever the final decision on military expenditures (and the higher they are, the more this will apply), we can't win the battle of the budget bulge without tightening our belts in matters domestic and civilian. Cutting out dead wood and raising efficiency in government agencies will be important, but by no means enough. We have to forego many things we would like and could have in the absence of foreign drains. These civilian purposes come under three general heads: resource development, social welfare, and personal security.

I am not going to get impaled on the thorny question of just how far or how fast we should go in any of these directions as a long-run matter. The point I want to make is simply that we can't eat our cake and have it too. If we believe there is danger in persistent budget deficits in times of prosperity (and I do), then we have to hold these development, welfare, and security expenditures down in proportion as military and foreign aid expenditures rise. To do this, we need to start with frank recognition that some of the development projects and some of the welfare outlays are just good old-fashioned "pork" and some of the welfare is of the enervating "dole" kind, and some of it is of the ill-chosen Lady Bountiful kind. From the economic or business standpoint, these expenditures are of course the ones to prune. That is, from the broad and basic business viewpoint, they should be drastically pruned. But unfortunately, there is also a narrow business viewpoint. From that approach, any market dollar is to be sought or promoted just because it gives a chance of private profit. That is why you businessmen, who demand that the government balance the budget by cutting expenditures, swarm down here to see to it that you don't lose any gravy in the process. I'll return to this phase of budget balancing in the latter part of my remarks.

Third, to win victory in the battle of the budget bulge, we must have industrial peace. Only if payrolls are full and steady, only if plants run continuously above that "high break-even point," only if goods move in full volume and promptly away from the factory platform and off the dealers' shelves will we have the high national income out of which to meet heavy government expenditures. An industrial impasse, with numerous, frequent, or long strikes, will lower government revenues and increase government costs, particularly those for social security benefits. Then the tide of the budget battle will turn against us.

Don't tell me that putting industrial peace as one of the four major strategic requirements for budget balancing is idealistic to the point of being impossible. So labor's demands "are unreasonable and labor leaders tough people to deal with." So "employers do demand inordinate profits and accept lower volume of operations rather than making wage or price adjustments which maintain volume operation." The pot can go endlessly calling the kettle black. But if we don't find ways of employing collective bargaining in good faith so that we keep public and private revenues at full tide, we won't win the budget battle, and if we lose that, we will lose the cold war.

To say this is not to pass judgment on anybody or to criticize anybody. It is simply stating a simple mechanical fact which the Kremlin understands whether we do or not. If our First Army is fighting our Second Army, we won't have so much strength to resist the common enemy.

Fourth, the strategy of victory requires that we do not take the easy road of tax reduction while still there is a serious deficit problem. I know how unpleasant it is to pay taxes, and I know that there are glaring inconsistencies and inequities in our present tax structure. They may be so serious as to cripple some firms and actually cause others to pass out completely. But they are not preventing prosperous operation for the economy as a whole. We can better postpone reform of the tax system than insist on getting relief at the expense of adding another billion or so to the deficit, which is a more basic threat to our prosperity. The men who won the Battle of the Bulge were tired and hungry, many of them sick, and some of them lost their lives. But they did not put their own safety and comfort above the great objective of winning the battle.

Already Senators and Congressmen of both parties have shown a clear intention of cutting excise taxes by amounts much greater than the President suggested and have shown little determination to make the offsetting increases which he suggested. Personally, I think it would have been better economic statesmanship not to have opened the door to tax lowering this year at all. But past experience indicates that the President possesses the fortitude to veto a bill that slashes taxes by an amount exceeding the principle which he laid down in January. I confess I do not fully understand the psychology that, with business as brisk as it now is, cannot recognize that deficits constitute the major threat to its continuance and that still demands cuts in taxes that will increase that deficit.

Morale for Victory

While my title employed the word "strategy," treatment of the theme has called for passing over at points into discussion also of some tactical issues. The winning of battles in fact rests upon three factors: sound basic strategy, skillful tactics, and high morale. The operations of a democratically organized economy are something very different from the processes of a military organization. There is no supreme command to devise a unified strategy, no corps of staff officers to execute local tactics or of lesser officers to enforce discipline. The possibility of winning the battle of the budget bulge comes down therefore in the last analysis to an issue of self-discipline. This self-discipline must be based on understanding of economic means and ends on the part of millions of businessmen and workers at points of individual responsibility, large and small.

As I view the current scene, I cannot regard the state of economic morale of our people as being high. We were not severely disciplined by the war, and we have tended to fall into even more self-indulgent ways of thinking and acting since. I am by no means sure that the battle of the budget bulge can be won at all without radical change in our behavior and in what we demand from the economic system under present conditions in return for what we put into it. Speaking at Philadelphia a few weeks ago, I summed this situation up in the following sentence: "It strikes me that the United States today is indulging in the lazy relaxation of an Indian summer

Continued on page 16

Continued from page 15

Strategy for Combating Federal Budget Bulge

day-dream instead of facing the stern realities of clearly foreseeable storms and dangerous weather for business."

Timing Is of the Utmost Importance

The general argument that I have been presenting to you is that the strategy of the budget battle calls for (a) holding both external and internal expenditures down and (b) holding our productive contributions and our tax participation up by respective amounts which will bring the two into balance at the earliest practicable time. Timing in economic strategy and tactics is no less important than in the military area. It was not possible to throw the Germans back to the Roer in a day nor in a week. First there had to be a succession of steps planned out and then a timetable drawn up so that moves would be synchronized and a series of limited objectives achieved that, in an orderly and cumulative process, reached the major and final objective. Similarly, we cannot pull expenditures down or push taxes up or combine the two movements in such a way as actually to balance the budget in 1950 or probably in 1951. If we tried to do so in any such drastic fashion, we would bring on a depression, perhaps a rather severe one. Our last state would be worse than our first.

Much as we hate and fear Federal deficits, we must, as practical men, recognize that they are a significant factor in the prosperity we are enjoying at the present time. Every dollar of the $46 billion or so being currently spent by the Federal Government goes to settle contracts you businessmen hold, goes for procurement of goods, goes to pay salaries or wages, interest or benefit payments. If it goes into private incomes, it is promptly paid out for groceries or clothes or rent or recreation, or it goes through savings channels into investment, where it pays for goods or wages. You can't simply kick the $6 or $7 billion of deficit out from under that market without seeing excess inventories accumulate, plants curtail operations, and unemployment mount.

Of course we believe that, if we could stop the Government from spending so much, private spenders could employ all our resources to supply goods and services the people prefer. But, granting all that, the switch cannot be made overnight. So we have to show a good sense of timing in our strategy and work out a practical timetable. Then we shall have to put our backs into meeting that timetable. If we fail we will simply trade a deficit for a depression. And if depression gets started, it could spread fast. Or those who want to see Government take over could move in fast on the wave of fear engendered by rising unemployment. In fact, you wouldn't even trade a deficit for a depression. The depression thus brought on would bring its own new deficit with it.

It might be a rough guess that stopping $3 or $4 billion of Government disbursement and its resultant business and promptly substituting $3 or $4 billion of private business at the necessary points to prevent disruption of markets and production would be a pretty good performance for a single year. This would give us at the minimum a two-year timetable for balancing the Federal budget—that is, fiscal '52. But we would have to start now, have a timetable we take seriously, and do a lot of vigorous and skillful private enterprising clear down to the little company and the local community. Here is a task in which local Chambers of Commerce under wise leadership from the national Chamber may well take a major part.

In fact, a pretty good estimate of whether we are or are not going to win the Battle of the Budget Bulge can be made by ascertaining how sincerely the central and local Chambers here represented really want to win it and can be counted on to do their part in winning it. Success will call for intelligent and courageous leadership and for voluntary cooperation all down the line. Your GHQ made a truly admirable start. When the first honest-to-goodness economy drive was put on by Secretary Johnson in the Defense Department under the specific direction of the President, the United States Chamber of Commerce gave full acceptance and support. President Herman Steinkraus wrote to Secretary Johnson:

"On behalf of this organization and its underlying membership of 2,500 chambers of commerce and 500 trade associations, I wish to extend to you our sincerest congratulations and appreciation of the courageous and patriotic action you are taking in making substantial savings for the taxpayers of this country. . . .

"We, therefore, support your action and are advising the many thousands of our members in our underlying membership of 1,300,000 who are engaged in every phase of business and industry, to support your stand in their respective communities."

Mr. Steinkraus then sent a letter to the 2,500 chambers all over the country, saying in essence: "You have been asking for economy. Well, here it is. Don't foul it up. Don't come to Washington or wire or telephone trying to get your community exempted from cuts which have been carefully considered in relation to the whole picture." But even better than this negative counsel to local chambers, he gave a positive admonition. He said: "Do get busy studying in advance just what cuts will be made in your community and how many people of what kinds will be disemployed in the process. Then immediately bestir yourselves to see that these people are moved into productive jobs elsewhere."

I know of at least one state Chamber of Commerce that vigorously reinforced the stand of the national Chamber. President Weaver of Ohio wrote Secretary Johnson:

"Objections to your reduction order . . . from some organizations in local areas where the temporary decline in private business and employment would have its first impact . . . should not be interpreted as representing the views of business generally. It is our best judgment that the great benefits to our economy which would flow from the establishment of a well-ordered fiscal program to which your order points the way, far outweigh any temporary local dislocations which may arise. . . . Our Board of Directors, representing the entire membership of this organization, warmly welcomes this evidence of governmental economy and ventures the hope that it will be equaled or surpassed in scope by subsequent reductions in other Federal departments."

Furthermore, the Ohio Chamber wrote its members urging them to see that private jobs were planned in advance to take up any unemployment. If that sort of constructive private business leadership is followed generally, I believe we can get from the situation of deficit in a time of prosperity to a sound fiscal situation within a reasonable time, and with production and employment maintained at a high level.

Recent developments, however, do not look too good. I have been travelling up and down the country making speeches and hearing a lot of business talk. In southern California, they tell me local business interests are plugging hard to keep hospital building at the highest point even if there are no patients for the beds or doctors for the patients. In northern California, they tell me there is determined resistance to any cut at Mare Island, however redundant or obsolete the shore installations. In Texas, they say: Our people are invoking all their political strength to prevent any drying up of the Federal largesse we become accustomed to during World War II.

I was encouraged, even thrilled, when I read Senator Douglas' historic statement that "To be a liberal, you do not have to be a wastrel!" I was greatly impressed as he went on to elaborate the practical details of his economy program. But I am not so happpy when I read in the current number of a leading news weekly of how this Colonel of Marines has fared in his sortie in the Battle of the Bulge.

Last week a former college professor who thinks it might be a good idea to balance the Federal budget had the Senate rocking with laughter. Democratic Senator Paul H. Douglas of Illinois was deadly serious about it, too, which made him all the more comical. Up for consideration was a $1,565,000,000 rivers and harbors authorization bill. Rivers and harbors bills traditionally are pork-barrel bills; Senators and Representatives toss in projects without even bothering to explain why they conceivably might be necessary. The whole principle is: "Don't ask questions. You vote for my project, and I'll vote for yours."

Douglas . . . introduced 20 amendments that would have chopped the bill down to about $700,000,000, carefully explaining why each project he wanted to kill, including two in his own state, would be a waste of money. Each amendment was greeted with raucous laughter. Each was howled down, and some of the loudest shouts were from those Republicans and Southern Democrats who moan most about economy between appropriations bills. . . .

While the Senate was laughing at Douglas, the House also demonstrated that in Congress **economy** is a word that rhymes with **hypocrisy**. The Republicans had promised to pare appropriations by $1,000,000,000, but after a few test amendments party leaders became aware they couldn't even keep their own members in line for the cuts, much less pick up any appreciable number of Democratic votes, so they dropped the whole idea. . . .

The Federal deficit this year and next will be much bigger than anyone expected. Originally the 1950 deficit was estimated at $5,500,000,000, but Treasury receipts have fallen off and, even if appropriations don't exceed the President's requests, the government actually will find itself $6,700,000,000 in the red. The decrease in receipts similarly makes the 1951 deficit likely to reach at least $7,300,000,000 instead of the anticipated $5,100,000,000. Actually the situation may be much worse, for Congress not only has shown no disposition to cut appropriations, it actually is talking of raising them.

As I said before, no strategy will win the campaign for national solvency if there is a lack of economic morale among the troops. If I were sitting in the Kremlin, I think that I would be quite complacent as I viewed the progress of the Battle of the Budget Bulge. Sitting in Washington, I am deeply concerned.

Gerard Hulsebosch Is Joining Herzog Co.

Gerard F. Hulsebosch, formerly senior partner of G. F. Hulsebosch & Co., which is being dissolved, has become associated with Herzog & Co., Inc., 170 Broadway, New York City, where he will be in charge of sales and will continue to specialize in Canadian and domestic mining issues with which he has long been identified. Prior to the formation of his own firm, Mr. Hulsebosch was for many years managing partner of F. L. Salomon & Co., members of the New York Stock Exchange.

Gerard F. Hulsebosch

William H. Amend Now With A. W. Benkert Co.

William H. Amend, a former senior partner of the law firm of Amend & Amend, has become associated with A. W. Benkert & Co., Inc., 70 Pine Street, New York City, investment dealers.

Mr. Amend graduated from Georgetown University in 1923, and from the Columbia Law School in 1926. He was a member of the Surrogate Court Committee and is a member of the Real Estate Committee and the Bankruptcy Committee of the New York County Lawyers Association.

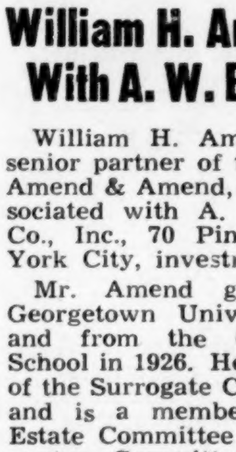
Edwin Schneider Is With August Lorenz

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Edwin P. Schneider has become associated with August Lorenz, 17 South High Street. He was formerly Vice-President of W. M. Zuber & Co., Inc.

Hancock Named Chairman Of Board of Directors Of Lever Brothers

John M. Hancock, partner of Lehman Brothers, was elected Chairman of the board of directors of Lever Brothers Co., and Jervis J. Babb, presently Executive Vice-President of S. C. Johnson and Son, Inc., was elected President at the company's annual meeting, according to an announcement issued at the executive offices of the company.



John M. Hancock

Quail & Co. Add

(Special to The Financial Chronicle)

DAVENPORT, Iowa — Hendrix Pickard has been added to the staff of Quail & Co., Davenport Bank Building, members of the Midwest Stock Exchange.

With Amott, Baker Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — John N. Blanchard is now with Amott, Baker & Co., Inc., 10 Post Office Square.

Reorganize United Nations Without Russia

By HERBERT HOOVER*

Former President, in calling attention to unreconcilable attitude of Russia and her frequent treaty violations, urges reorganized United Nations, with exclusion of Russia and her satellites; or, if this cannot be accomplished, he calls for united action by free people to forestall Russian aggression. Says resumption of diplomatic relations with Soviet Russia was "tragic jest," and accuses that nation of using UN as propaganda forum for smearing free peoples.

It is a great honor to address the editors and publishers of the United States. You are the most powerful of all influences in our country.

My subject on this occasion arises from my suspicion that the world in its tumults has abandoned most acceptance of history as a guidepost.

Herbert Hoover

There are plenty of voices about but the voice of experience seems to have become stilled.

I have had to do with the boiling economic, social and political forces during two World Wars and their aftermaths. I propose for a few moments to add some of the voices of world experience into the present clamor. I shall explore four samples, one each from the economic, social, political and international field.

In the economic field there are many shrill voices proclaiming that our American economic system is outmoded. They say it was born of undesirable parents, such as American individualism and a French lady named *Laissez-Faire*. They accuse the ghost of Adam Smith as having had something to do with the matter. They conclude our system is of the jungle or dog-eat-dog variety.

It might be observed that the alternative offered us is a drink mixed by three different ghosts. That is, the shade of Karl Marx with his Socialism. The shade of Mussolini with his dictated and planned economy. The spook of Lord John Maynard Keynes with his "operation Cuttlefish," comprising managed currency, peacetime inflation by deficit spending and perpetual endowment for bureaucrats.

And we have contributed an American ideology of give-away programs. It might be called the New Generosity. It is not yet a ghost. However, the handiwork of the ghosts and their auxiliaries furnish you most of your Page One.

I am not going to repeat the old and valid defenses of the American economic system. I may mention that in recent years we have taken strong drinks from the three "hants" I have mentioned, and from the New Generosity, all mixed with varying amounts of pure water from the American system.

Be all that as it may, my purpose here is to call your attention to a less obvious world experience.

Sixty years ago our American system was divorced from the *Laissez-Faire* lady. We started proceedings in 1887 when we created the Interstate Commerce Commission, thereby initiating the control of natural monopolies. But far more revolutionary was the Anti-Trust Act of 1890.

Western Europe has never had effective anti-trust laws. To the contrary, there grew up in those countries a maze of State-favored private trade restraints, combinations, trusts and cartels. This form of economic organization sought profits by fixing prices and by control of production and distribution.

Competitive System—Restless Pillow of Progress

Under our revolutionized American system, competition remained the restless pillow of progress. It had to seek profits from improved technology and lowered costs of production.

In time, Western Europe, without the full pressure of competition, lost much of the impulse to improve methods and equipment. Plants became obsolete; standards of living stagnated.

In contrast, our technology with one hundred times as many inventing laboratories and a thousand times more trained technicians has steadily improved its tools. Our standard of living increased with cheaper costs and more goods. Our system was dynamic; theirs was static.

Finally, Western Europe, with its obsolescent plants, its inability to compete in world trade, except at the expense of labor, was desperate. It took to hard drinking of the potions from the shades of Marx, Mussolini and Keynes—plus the New Generosity.

Our American system continues to produce despite periodic indulgence in these drinks. It does it despite two World Wars, innumerable interferences with incentives and a Government take of 60 to 70% of its savings. It still retains the dynamic power to provide the greatest and widest spread of comfort to our people that the world has ever known. That is, if we would join Alcoholics Anonymous and quit mixed drinks.

Lest any dangerous thought flash through your minds, I am recalling this experience exclusively to you as publishers and editors.

Now lest someone think all this is economics without humanism, I offer an experience on the social side. It is punctuated today by the siren voices calling for "security from the cradle to the grave."

Security from the cradle to about 18 or 20 years of age, and from about 65 to the grave, has always been sacred to the American people.

The training of our children, the care of our aged and the unfortunate have been a part of our system since the founding of the Republic. It is part of our civilization. The governmental part, however, needs some repairs.

But the voice of experience which I wish to recall relates to the idea of security for the middle group—say, from 20 to 65 years of age. We have less than 70 million providers in this group, and they must provide for 80 million children, aged, sick, nonproductive government employees and their wives. It is solely from the energies of this middle group, their inventions and their productivity that can come the support of the young, the old and the sick—and the government employees.

Unless there is the constant pressure of competition on this group between 20 and 65 plus the beckoning of fairies and rewards, to stimulate incentives and work, the children and the aged will be the victims. This middle group can find its own security only in a free but tough system of risk and self-reliance. It can be destroyed by taxes and the four mixed drinks.

Experience calls sorrowful confirmation of all this. My recollection is that the Lord remarked to Adam something about sweat. Be that as it may, there is convincing evidence from the British experience of trying to include the middle group in blessed security. Their incentives to sweat have diminished under that illusion. The needed leadership of the middle group in production and distribution is being destroyed. Otherwise they would not need to lean on the New Generosity.

There are also some lessons of experience to be had from Russia where the grave is close to the cradle, and 15 million people are compelled to work in slave camps under the whip.

Causes of Downfall of Representative Government in Europe

The voice of experience also calls loudly as to organization of the political field. In 1938, I spent some months on the Continent inquiring "how come" 15 new democracies created after the First World War had failed.

The downfall of these representative governments was due in part to the drinks compounded by the three ghosts. But there was another step in their arrival at chaos, which contains a potent experience for America.

There had grown up in their legislatures a multitude of splinter parties. There were all the way from 5 to 15 of them. In consequence, there was no responsible majority. Governments were driven to improvised legislative coalitions, which could only agree upon negative policies and give-away programs. In each coalition small foreign-controlled tricky groups played a part. In confusion and despair, their peoples welcomed the Man on Horseback.

Even though old-time religion, it is worth repeating that the preservation of representative government requires two major political parties.

I am not going to deliver a history of the rifts between major parties in the United States. So you may relax. I might mention that once upon a time, say for about 60 years, the members of both of our major political parties were, in large majority, liberals in the 19th century sense. They quarreled mostly over the tariff but not over ideologies.

However, since Lenin's implication that the hermit crab, by seizing the shell of another animal, knew his business, the term "liberal" has lost its soul. Its cheerful spirit of less power in government and more freedom of men has passed to the world beyond.

Nor am I going to try your after-dinner souls with ideological definitions—not even of statism. That definition has already been made instinctively by the common tongue of all nations where free speech still has a part in their proceedings. That effective but perhaps unrefined definition is "right wing" and "left wing."

Reorientation of U. S. Political Parties

The point I am concerned with here is that from the ideological tumults stirred by the three shades and their helpers, our major American political parties have been in large degree reoriented into these new compartments of "right" and "left."

I do not charge the real Communists to the American left wing. They are agents of a foreign government.

If a Man from the Moon, who knew the essentials of representative government, came as a total stranger to the United States, he would say some obvious things within the first week or two.

He would say to the Republican party: There is no room for you on the left. You must be the party of the right, or you will split into ineffective factions.

And with equal emphasis he would say to the Democrats: Your die is cast. You are the party of the left, or you will likewise split into futile factions.

He would say to some members of both parties: You are not in your proper spiritual homes.

He would say that in all this ideological tumult, if there cannot be a reasonably cohesive body of opinion in each major party, you are on a blind road where there is no authority in the ballot box or in government.

He would say that if you want confirmation look at 15 European countries where representative government was torn to shreds.

Cases of Russian Aggression

I need not remind you that our Page One international issue is Communist Russia. There are seven phases of this experience which I must recall before I come to a proposal of action.

The first phase of experience with Russia began under the Czars. Since Peter the Great they steadily have expanded their reach of empire over the largest land mass in the world. Their method was that of a burglar going down a hall. If there was no one in the first room, he took everything including the doorknob. If he found someone in the second room who protested, he weighed the strength of the protestor and might leave part of the furniture. If he found an armed man in the third room, he closed the door and waited.

Lenin and Stalin added a new apparatus for the robber. They now make the man in the second room a party member and rob him later, and by degrees. They now put the armed man in the third room asleep with a non-aggression pact or a promise of peace. Thus, he neglects his weapons. In any event they steal his secrets.

The second phase of this experience with Russia was a period of 16 years during which four Presidents and seven Secretaries of State opposed our having any relations with this malignant government. Their attitude was that when our neighbors are living a life of spiritual and other disrepute, we do not attack them. But we can hold up standards in the world a little better if we do not invite them into our homes by so-called recognition.

The third historical phase arrived when our left wingers had their way in our relations with Communist Russia. They produced the recognition of the Soviet in 1933. They produced the alliance with Russia in 1941. They produced the appeasement of Russia in Western Europe until its reversal by President Truman and Secretary Byrnes in 1945. I will not join in the explanations about China. Up to now there is agree-

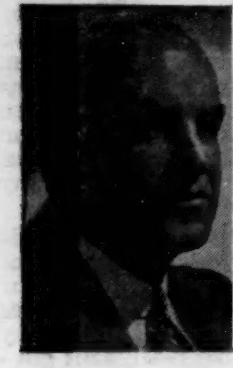
Continued on page 32

*An address by Ex-President Hoover before the Bureau of Advertising dinner of the American Newspaper Publishers Association, New York City, April 27, 1950.

Debt Mgt. Potent Factor in Investment Trends

Dean G. Rowland Collins and Dr. Nadler stress importance of Treasury refunding policies during next two years in shaping business activities and institutional investments.

In a recently issued bulletin of the Institute of International Finance of New York University,




G. Rowland Collins Dr. Marcus Nadler

entitled "Debt Management," Dean G. Rowland Collins, Director, and Dr. Marcus Nadler, Research Director, point out that the policies that will be adoptel by the Treasury in its huge refunding operations during the next two years could have an important effect on business activity and on the investment policies of commercial banks, insurance companies and other institutional investors. In addition to its basic objectives of maintaining public confidence in government bonds and carrying the public debt at a low cost, the Treasury, the authors state, should use its powers to influence the investment policies of large financial institutions and, consequently, general business conditions.

"Insurance companies, savings banks and other institutional investors," the bulletin continues, "are interested in long-term government obligations with higher coupon rates and are large buyers of these securities whenever mortgages or corporate and other securities yielding higher returns are not available. By offering obligations bearing low interest rates the Treasury indirectly diverts institutional investors to other markets. When the return on the longest term tap issues, i.e., the noneligible 2½s of 1967-1972, was around 2.25 to 2.30% per annum, there was a strong inducement for institutional investors such as savings banks and insurance companies to seek an outlet for their funds elsewhere.

"The interest rate policy adopted by the Treasury thus has an important bearing on yields of other high-grade bonds bought by banks and institutional investors. The Treasury is the pacemaker and the others follow. If, in its refunding operations for the remainder of 1950 and for 1951, the Treasury should offer a substantial amount of medium-term obligations with maturities of five to twelve years and coupons ranging from 1½ to 2%, this would have a marked effect on prices and yields of medium-term tax-exempt bonds as well as on corporate obligations. Similarly, if the Treasury, in raising new money to meet its current deficits, were to offer long-term governments with a coupon of 2½% this would automatically affect the yield of all high-grade long-term obligations of corporations and of tax-exempt securities. Such a move would diminish the demand for corporate and tax-exempt securities by institutional investors and thus bring about a decline in their price and an increase in their yield."

The Treasury should also take into consideration the investment needs of the commercial banks, the New York University study recommends. "Sound principles of debt management suggest the following course:

"(1) The Treasury should ascertain as accurately as possible the supply of bills and certificates needed to meet the liquidity requirements of the country's financial institutions.

"(2) Since a large volume of the obligations callable during the next three years are held by the commercial banks, which depend on them for income, it would be desirable to offer in exchange securities with maturities of five to twelve years and coupons ranging between 1½ and 2%. This would enable the commercial banks to adhere to a sound investment policy by relieving them of the necessity to acquire other securities in substantial amounts or to further lengthen the maturities of their portfolio in order to maintain income. It is desirable that the commercial banks be given an opportunity to adopt and maintain the spaced maturity system of investing. There is no need to offer to the banks long-term obligations with coupons over 2% because during 1952-1954 almost $30 billion of government obligations presently restricted become eligible, and this will enable the commercial banks to lengthen their maturities should they desire it. In 1952, 1953, and 1954, depending on business activity and the demand for capital, it might be desirable to offer long-term obligations to nonbank investors who might wish to sell the securities becoming eligible during those years.

"Management of the public debt," the bulletin continues, "must be flexible and adapted to changing conditions. It must take into account, first, the fiscal position of the Treasury. A debt-management policy suited to a period when the Treasury has a surplus may not be appropriate in a deficit period. In this connection it must be noted that neither the Treasury nor the Reserve authorities have any direct influence on the size of the surplus or the deficit. This depends on the action of Congress and business activity, the volume of bank loans and the movement of commodity prices. A policy which is sound in a period of increasing business activity accompanied by a rise in commodity prices and in the demand for bank credit will be unsound in a period of declining business activity accompanied by falling prices, a reduction in the volume of bank loans and an increase in unemployment. Finally, the debt management by the monetary authorities should be designed to promote business stability, to prevent large-scale unemployment and to influence the investment policies of the commercial banks in a manner helpful to business activity and the creation of full employment. Debt management, if handled correctly, and particularly if guided primarily by the over-all economic situation of the country, can become a powerful instrument in the hands of the monetary authorities."

The debt-management policies practiced up to the end of 1949, according to the Bulletin, may be evaluated as follows:

"(1) The objective of maintaining confidence in the credit of the United States Government was achieved. Not even during the period of the greatest inflation in 1948 were government obligations permitted to go below par. This policy, however, lacked flexibility and debt management could therefore not be used to influence business activity. Moreover, the acquiescence of the Treasury to the requests of the Reserve authorities for an increase in short-term rates was late in coming and the advantage of proper timing was thus lost.

"(2) The inability of the Treasury to reduce the public debt, except in the fiscal years 1947-1948, was not its fault. The blame rests primarily on Congress and on the various pressure groups which made demands on the Treasury. In part, it has been due to the unfavorable economic and politcal situation prevailing throughout the world, which is responsible for the large military expenditures and for the large-scale aid to Europe. It is very doubtful whether the public debt will be reduced in the near future; on the contrary, an increase seems to be unavoidable. Furthermore, since the Treasury chronically operates with a deficit financed in part with obligations sold to the commercial banks, the effects of its operations on the economy will continue to be expansionist. It is obvious that continuous deficits in bad and in good years will render it impossible to follow a scientific debt-management policy.

"(3) The Treasury was able to reduce considerably the amount of public debt held by the commercial banks. However, because of its insistence on keeping the debt burden down and hence on issuing only short-term obligations, the opportunity was lost to tailor securities to meet the investment requirements of the various institutional investors as regards coupon and maturity. This policy tended to further reduce the yield on high-grade obligations in general. Since the Treasury did not use its power to affect the investment policies of large institutional investors, it was not in a position to successfully influence business activity. This was particularly true in periods of inflation, when money rates, aside from a minor increase in the rate on bills and certificates, remained as low as during the war."

Referring to the disagreements between the Treasury and the Reserve authorities on fiscal and credit policies, the bulletin points out that the Treasury's objectives of low interest rates and support of Government bond prices have at times placed the Reserve authorities in a difficult position in their efforts to curb credit expansion. The differences of opinion between the two agencies are, however, not irreconcilable, the bulletin states, and some progress has recently been made in establishing a coordinated credit policy.

Toward the end of 1949 and in the early part of 1950 there was agreement on certain policies. Short-term rates were permitted to fluctuate more widely than before and the Reserve authorities sold long-term Government obligations even when the market for these securities was weak. The greater flexibility in short-term rates and the wider fluctuation in ling-term rates will enable the Reserve authorities to exercise a greater influence on business activity. If this policy is continued it may be expected that in the future money rates will be permitted to firm in periods of good business activity and to decline when business conditions deteriorate. It may be taken for granted that the monetary authorities will be quick to react to any material decline in business activity, particularly if it is accompanied by a substantial increase in unemployment.

The policy of the Treasury in refunding matured and called obligations, it is pointed out, has also undergone a change since the end of 1949. Up to that time the Treasury offered certificates in exchange for maturing or called bonds, the prime motive being to reduce the cost of carrying the public debt. On Dec. 15, 1949, the Treasury offered for the first time in many years long-term notes with a maturity of four-years and three-months and a coupon of 1⅜%. An interesting fact about this note issue is that the Treasury permitted it to go below par. The March-April refunding operation announced on Feb. 14 included 1½% five-year notes, thus increasing the coupon rate and lengthening the maturity.

Field Day Postponed To September 15 by Bond Club of Phila.

PHILADELPHIA, Pa. — The Annual Field Day of the Bond Club of Philadelphia, originally scheduled for May 19, has been postponed to Sept. 15. It will be held at the Manufacturers' Country Club.

Kenower, MacArthur Co. Formed in Detroit


John L. Kenower Reginald MacArthur

DETROIT, Mich.—A change in name, effective May 1, is announced by the investment firm of Miller, Kenower & Company due to Gerald E. Miller's leaving the investment business for special work in Washington. Reginald MacArthur and John L. Kenower have formed Kenower, MacArthur & Co., 1824 Ford Building, Detroit.

The firm conducts a general investment business in municipal bonds, mutual funds, and listed and unlisted securities. They are members of the Midwest Stock Exchange and Detroit Stock Exchange and have a branch office in Saginaw.

Mr. Kenower was graduated from the University of Michigan in 1925, and from 1928 to 1933 was with the Guardian-Detroit Union Group. He formed Shannon, Kenower & Co. in 1933 and has been a partner in Miller, Kenower & Company from 1938 to the present time.

Mr. MacArthur graduated from Boston University College of Business Administration in 1927 and Detroit College of Law in 1935. From 1927 to 1931 he was wth Guardian-Detroit Company, and with Crouse & Co. 1932-42. He has been a partner in Miller, Kenower & Company since 1942.

Both men have served as Chairman of the Michigan Group of the Investment Bankers Association of America and Chairman of the Municipal Advisory Council of Michigan. Mr. Kenower is past President of the Bond Club of Detroit while Mr. MacArthur is Vice-President of the Bond Club for 1949-50.

Julius Pochelon, a general partner of the firm, is no longer active in the securities business.

The firm's Saginaw office is located at 402 Bearinger Building and is managed by Harry H. Jones. William E. Black is associated with Mr. Jones at that office.

J. F. Reilly & Co. Opens in New York

John F. Reilly, Sydney Holtzman and William Frankel have re-formed the firm of J. F. Reilly & Co., Inc., dealers in Public Utility, Natural Gas and Industrial Securities. Offices will be at 61 Broadway, New York City.

The original firm was started by Mr. Reilly in 1933 and dissolved in 1947 when he became a member of the New York Stock Exchange.

Sydney Holtzman was associated with the old firm from 1933 to 1947. For the past three years he has been Manager of the trading department of Marx & Co. William Frankel has been with Shaskan & Co. for the past five years. Robert Krulisch, who was also associated with the old firm of J. F. Reilly & Co. and has been with Marx & Co. for the past three years, is also rejoining the new firm. Formation of the new firm was previously reported in the "Chronicle" of April 27.

Gold Will Restore Sanity

By PHILIP M. McKENNA*
National Chairman, The Gold Standard League
Chairman of Board, Kennametal, Inc., Latrobe, Pa.

Prominent gold standard advocate, deploring danger to our liberties from statism and government extravagance, says remedy lies in restoring right to convert currency into gold at current value of $35 per ounce. Holds present U. S. gold reserve is ample to permit gold convertibility of currency, and restoration of gold standard will mean more public confidence and greater prosperity for people.

How a small tool manufacturer like myself, only a Pennsylvania Yankee, not a genuine Connecticut Yankee, comes to be here in the presence of able monetary economists to say why I believe everything depends upon the prompt restoration of the gold coin standard of money may puzzle you as much as it does me. Surely you know why we must do it, from your study of the history of every instance where irredeemable paper money was foisted upon a people for more than a generation. Then I reflected that when a big job has to be done it takes a lot of people to do it, and somewhere along the line they call in a toolmaker. He has to know enough about *why* the job has to be done to put his heart into it and then he has to figure out *how* to do it. I take some comfort from learning that Paul Revere was a metal worker, designing and using tools and that Thomas Jefferson did not disdain the practical arts and invention of useful devices. Like Mr. Shull I have been a practical businessman all my life. We and the many other Chairmen of the Gold Standard League in many other states are not men inclined to see things under the bed if they are not there. Thousands of members share our views.

Philip M. McKenna

We are alarmed at the way things are going in our country. We are going to enlist the aid of other citizens and do something about the threatened danger to our liberties in America if we continue the slide down the easy road to statism. Such eminent men as the Hon. James Byrnes of South Carolina at last warn us that if we do not stop the trend towards statism now going on, the American citizen will find himself chained to an oar in the galley of the compulsory state.

First like good tool engineers we take a look at the job. We see many earnest men and women who prize freedom, organizing to fight one or more of the multitudinous branches of the evil thorny tree of governmental tyranny over our lives. Doctors facing the prospect of government medicine and realizing the danger to sound medicine organize to resist the growth of compulsory medicine. We see the risk-taking house builders pointing out the bad consequences of government house building with public funds without the check of responsibility to use judgment and care to make the houses stand up to the standards of competitive utility in a free market. They point out the confiscatory impact of rent control in time of monetary inflation and trace the lack of housing in France to such intervention by rent controls since 1918. Farmers are beginning to realize that price supports for crops brings with it control of the area he may plant and when and how he may sow and reap. We see a bill in Congress to subsidize miners of metals defeated last month because the example of farm subsidies showed the danger to the freedom of producers of minerals under such governmental control. We see Jesse Jones, for many years head of the Reconstruction Finance Corporation established in 1930 to try to meet an emergency by government intervention, recommending its entire elimination. If that cannot be accomplished immediately he recommends the closing down of its 40 offices thus saving the expense of them and the further waste of public money in loans to concerns who to get a loan from R.F.C. must first prove that their activities cannot be justified by prospective utility, as measured by earnings upon which a bank could justify a loan.

In my own line of work I observe the waste of public money in attempts at government development and invention despite the fact that invention is a personal act and that boards, as Gen. Goethals observed during World War I, are long narrow and wooden, like the planks which they wanted him to make into wooden ships. Likewise, bringing of invention to general use takes risk taking by individuals and is not effectively carried on by governmental agencies. I observe that we have to go back to 1886 to find so few patents issued per year as today, per 100,000 population. That sensitive barometer of human hope and endeavor under free conditions has declined continually since 1934, coincidentally with our going off the gold standard. The reason is that national socialism or statism attempts to level off humanity, seizing intellectual property as well as monetary property, so that invention and development become "heads you lose, tails I win" business. The lamp of invention burns feebly, if at all, under the Compulsory State as I noted was the case in Germany in the hard carbide tool industry after Hitler took control.

I see honest Americans in the Senate, like Harry Byrd of Virginia, trying to stop the spending. I know that many citizens in Congress are aware that if deficit financing continues, our country is in danger. But they cannot stop it by logic or sweet reason. They are like firemen running to a blaze with a hose which is not coupled up to the water plug. We know how irresistible to politicians seems to be the temptation to maintain themselves in power by buying favor with first one section of the voters and then another, by granting favors to be paid for by the issuance of bonds or paper money which they cannot redeem and do not intend to redeem. Of course you know that deficit financing made possible by the issuance of more bonds or paper money is an unseen and unvoted tax upon all those who, relying upon the value of the dollar, make savings payable in monetary form. The temptation for government, unrestrained by the requirement of the gold standard, to redeem their money in our standard of value is greater than it was in France, where 98% of the value of savings expressed in monetary form has been taken by the insidious processes of monetary inflation. The temptation is greater because the trustful American has much greater savings in the forms of life insurance, savings accounts, endowments, savings bonds and preferred stocks than had the middle class in France. The disease of fiat paper money had not visited our shores for so long, our paper money having been redeemable for 150 years with the minor exception of a few years during and after the Civil War, that Americans are like the Indians, who not having been exposed to European diseases and hence not being immune to them, were decimated by small-pox, measles and even chicken-pox. Like the black plague in England in 1348 it will fall with greatest severity upon the relatively helpless, the widow, the children protected by past savings, and in general upon the little man who cannot afford savings in other than simpler monetary form. What his reaction may be, if deficits continue and his monetary savings are taken away by continued monetary inflation I do not know, but I know what was the behavior of the little man in Germany, where since the time of Bismarck the German worker was deluded with promises of social security and full employment by the intervention of the all-powerful state. After being defrauded by monetary inflation the Germans flocked to a political leader who promised them security, status and power by force.

As I said, well-meaning men and women organize to stop one or another of the branches of the thorny tree of statism from growing and restricting their freedom in one sphere or another. "Why," I ask you, "do we not unite and with a fraction of the effort used to cut off the various branches only to have others grow out, cut off the root which nourishes them all?" That root is the power of the Federal Government, seized from the people March 6, 1933, prohibiting the people from owning our own standard of value, gold and gold coins and permitting the government to issue currency and bonds which it is not required to redeem in anything of any particular value.

With a mere fraction of the effort now being devoted to urging the Federal Government to balance its budget and to restrict its activities to those contemplated by the founders of our Republic as expressed in the Constitution (or at very least restraining its spending to the amount which can be collected in taxes) we could produce the desired reform by re-establishment of the gold standard with all non-gold currency redeemable to bearer in our standard of value, one dollar being 1/35 of an ounce of gold. The reason for that figure is that since Jan. 30, 1934 the price at which the Treasury buys gold has been $35 per ounce and that is the price at which the Treasury may make good to foreign central banks. In September 1949 Guiseppe Pella, the Italian Finance Minister, announced in Italy that he had obtained 116.2 metric tons of gold from the U. S. Treasury at $35 per ounce. Certainly the American citizen, whose gold it is, should not be required to pay a higher price than that at which we have been sending it to foreigners, particularly in this instance to a foreign nation which was an enemy. The right of the President to further increase the price of gold expired in 1943 and after consideration by the appropriate committee of the U. S. Senate was not renewed or extended. Another reason why we must not change the fixed value of the dollar in terms of gold is that if we have two devaluations within a generation confidence in the integrity of the dollar will suffer a severe blow and people may well hesitate to make further long-term commitments in terms of dollars without a reservation or guess.

A fact not widely realized is that with $24 billion of gold in the Treasury today we have more gold, absolutely and also relative to the outstanding currency plus all bank balances in the country than we had when we had the gold standard and redeemed our non-gold currency. With $24 billion of gold we have over 14% of gold relative to the total currency outstanding plus total bank deposits. In 1926 we had 8.6% of gold relative to that total, and in 1920 we had as little as 7.1%, yet we preserved the gold standard with specie payments. To those particularly concerned with our fiscal policy and responsible for its course, I ask "Have our fiscal affairs been so mismanaged that even with 50% high gold ratios that doubt and confusion would prevail to the extent that withdrawals would take place to an extent embarrassing the Treasury?" If so, it's high time we returned to specie payments and put a check to irresponsible fiscal policy.

It may seem paradoxical yet I believe it is true that those who state as their objectives the attainment of prosperity, activity, high employment and the defense of our country are on the wrong side if they oppose the return to the gold coin standard with all non-gold currency redeemable to bearer at $35 per ounce. More, not less well founded credit, borrowing and lending for worthwhile objects can take place under the gold standard than under a system of managed money and irredeemable currency. Uncertainty plagues the investor. He flies to ill advised hedges against inflation most of which are illusory. I have not time to expose to you the mirages of gold mining shares and of equity capital risked in common shares in a time of inflation with increasing costs and high Federal taxation of imaginary profits. With reestablishment of the gold standard the case is far from hopeless to pay off the National Debt. The average ratio of gold reserves in the U. S. A. to the increased total of all non-gold currency, plus all net bank deposits, plus all State debt, plus all Federal debt during the 33 years was 7%. Today it is 6%. While nothing to be proud of, we have a sufficient gold base considering especially that this is a larger country economically today.

If sanity prevails we shall reenact a bill such as H. R. 3262, to restore the right of American citizens to freely own gold and gold coins; to return control over the public purse to the people; to restrain further deterioration of our currency; to enable holders of paper money to redeem it in gold coin on demand and to establish and maintain a domestic gold coin standard.

The gold coin standard of money is not a cure all. It is like providing good rails for a railroad. It does not prevent wrecks if people misuse credit. But good rails are a necessity for any sound railroad. Let us hope the people and their backers will learn the lessons of financial history and run it right.

I am sure many here tonight have questions which the able monetary economists present can clear up in your minds. Practical men are here tonight who realize that irredeemable paper money is the currency of socialism and of tyranny. We want your active help in restoring the gold coin standard of money which, second only to the Constitution, protects the liberties of the people from dictatorship of the compulsory state.

*An address by Mr. McKenna before the Yale University Unit of The Society for the Advancement of Management, New Haven, Conn., April 28, 1950.

Dr. Richard Schuster

Dr. Richard Schuster died at his home at the age of 71 after an illness of several months. Prior to his retirement in 1929 he had been a partner in Speyer & Co. for many years.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

As the final figures are now available covering the operations of the various fire and casualty insurance companies for the year 1949, a number of the prominent investment houses have recently issued their annual statistical compilations.

Laird, Bissell & Meeds, of 120 Broadway, New York, N. Y., has just distributed such a report. It is a comparison and analysis of the operating results for the past two years of most of the major fire and casualty companies. In addition, figures are presented on the liquidating values at the end of the past two years, dividend rates, market prices, yields and 1949 price ranges.

For purposes of this presentation 23 of the major fire companies were selected from their list and the comparisons divided into two tables. The first tabulation shows the consolidated operating results of 1948 and 1949 on a per share basis and is presented below:

OPERATING RESULTS

	*Adjusted Underwriting Gain or Loss		Investment —Income—		Federal —Taxes—		*Net Earnings	
	1948	1949	1948	1949	1948	1949	1948	1949
Aetna Fire	$6.28	$11.22	$3.42	$3.58	—$1.10	—$4.80	$8.60	$10.00
Agricultural	8.79	13.31	5.21	5.93	—5.55	—6.44	8.45	12.80
American Insurance	1.46	4.01	1.27	1.43	—0.37	—1.39	2.36	4.05
†Boston Insurance	3.55	5.41	2.84	3.56	—0.10	—1.51	6.29	7.46
†Continental Insurance	3.58	7.09	3.30	3.81	—0.91	—2.96	5.97	7.94
Federal Insurance	6.70	9.01	2.53	3.06	—2.51	—3.59	6.72	8.48
†Fidelity-Phenix	3.75	7.27	3.48	4.04	—0.90	—3.05	6.33	8.26
Fireman's Fund	8.03	12.41	4.17	4.77	—1.62	—4.72	10.58	12.46
Fireman's Insurance	2.77	5.60	1.72	2.24	—0.19	—2.75	4.30	5.09
Glens Falls	4.77	7.22	2.50	2.59	—1.76	—2.21	5.51	7.60
†Great American	2.21	3.64	1.98	2.21	—0.44	—1.20	3.75	4.65
Hanover Fire	2.86	5.23	2.28	2.39	—0.59	—1.82	4.55	5.80
†Hartford Fire	15.67	19.50	4.57	5.27	—4.20	—7.34	16.04	17.43
Home Insurance	2.29	5.80	2.15	2.37	—1.34	—2.34	3.10	5.83
†Ins. Co. of No. Amer.	7.60	12.52	5.89	7.05	—2.11	—4.47	11.38	15.10
National Fire	6.23	12.05	3.77	4.14	—0.20	—3.35	9.80	12.84
National Union	3.38	6.48	2.37	2.75	—0.88	—2.77	4.87	6.46
New Hampshire	2.20	4.72	3.23	3.24	—0.59	—3.59	4.84	4.37
†Phoenix Insurance	4.20	9.34	3.98	4.62	—0.76	—3.29	7.42	10.67
Providence-Washington	2.11	3.76	2.22	2.36	Cr0.24	—1.92	4.57	4.20
St. Paul Fire & Marine	9.81	10.50	4.40	5.36	—2.69	—3.95	11.52	11.91
Security Insurance	6.79	9.20	2.45	2.73	—1.47	—3.10	7.77	8.83
Springfield Fire	3.84	6.63	2.55	2.86	—0.82	—2.98	5.57	6.51

*No adjustment made for contingent Federal income tax liability on unrealized equities. †Adjusted to present capitalization. *Cr* Credit.

The increase in net earnings for the year was general and reflected both an improvement in underwriting operations and investment results. Federal taxes, of course, were substantially higher. Nevertheless, 1949 was the most profitable period for most companies in their history.

The second table combines the figures on liquidating values, dividends, market prices and yields. It is shown below covering the same list of companies.

	*Liquid. Value December 31		Dividend	Approx. Price	Approx.	Price Range —1949—	
	1948	1949	Rate	4-24-50	Yield	High	Low
Aetna Fire	$71.91	$83.86	‡$2.20	$61	$3.61	$62½	$48¼
Agricultural	102.64	118.61	‡3.25	74½	4.47	72	58
American Insurance	23.83	29.55	0.90	20½	4.38	22¼	15⅝
†Boston Insurance	67.82	79.10	¶2.40	60	4.00	66¼	53⅛
†Continental Insurance	58.28	68.57	§2.00	56	3.57	62¾	45⅜
Federal Insurance	74.23	84.48	2.25	72½	3.10	67	54
†Fidelity-Phenix	60.77	72.88	§2.00	56	3.57	61¼	47⅝
Fireman's Fund	89.05	106.05	2.60	88½	2.93	95½	76¾
Fireman's Insurance	24.50	32.99	0.60	22½	2.66	20¼	15
Glens Falls	55.92	64.24	‡2.20	52¼	4.21	55	47¼
†Great American	37.78	44.15	**1.20	30¼	3.97	32¼	24⅞
Hanover Fire	43.22	50.18	1.60	35	4.57	35¾	30¼
†Hartford Fire	117.42	138.16	3.00	117½	2.55	100⅞	88⅛
Home Insurance	38.46	46.47	1.60	36⅛	4.43	36	27⅜
†Ins. Co. of No. Amer.	98.63	120.26	‡3.50	106	3.29	110	81¾
National Fire	90.58	108.75	‡2.50	63	3.97	61½	48½
National Union	53.49	61.37	1.40	37¾	3.71	40	31
New Hampshire	51.92	58.15	‡2.20	46	4.79	46½	41
†Phoenix Insurance	97.18	112.67	3.00	76½	3.92	84¾	63⅝
Providence-Washington	48.23	52.72	‡1.50	33¾	4.51	36¾	31
St. Paul Fire & Marine	85.18	98.20	2.60	99½	2.61	104	75
Security Insurance	53.54	61.99	‡1.60	34¼	4.67	37¾	31½
Springfield Fire	59.35	68.00	2.00	45¾	4.37	50½	41

*No adjustment made for contingent Federal income tax liability on unrealized equities. †Adjusted to present capitalization. ‡Includes extra. §Excludes extra. ¶Plus stock dividend payable December, 1949. **Plus stock dividend payable in January, 1950.

These figures, as well as the others, to a considerable extent tell their own story. The increases in liquidating values between the two periods is of particular interest, however. In part, this is a reflection of the higher market valuations on securities held.

With Laird, Bissell

PHILADELPHIA, Pa. — Laird, Bissell & Meeds, Lincoln Liberty Building, members of the New York and Philadelphia-Baltimore Stock Exchanges, announce the association with them of Wharton Sinkler, II, as a registered representative.

Elected Governor

Frederick T. Koyle, Carl M. Loeb, Rhoades & Co., has been elected a governor of the Commodity Exchange, Inc., representing the rubber group. Mr. Koyle will fill a vacancy caused by the recent death of Aage Bendixsen.

C. W. Barlow Nominated for Pres. of Bond Club

Clarence W. Bartow of Drexel & Co. has been nominated for President of the Bond Club of New York for the coming year to succeed Charles L. Morse, Jr. of Hemphill, Noyes, Graham, Parsons & Co. The election and annual meeting will take place at the Bond Club Field Day on June 2 at the Sleepy Hollow Country Club.

Clarence W. Bartow

James J. Lee of Lee Higginson Corporation has been nominated for Vice-President to succeed Mr. Bartow. Gerald B. West of Stone & Webster Securities Corporation has been nominated for Secretary and A. Sidney Norton of Bankers Trust Company, for Treasurer.

Nominations for new members of the Board of Governors are Hugh Bullock of Calvin Bullock, David B. McElroy of J. P. Morgan & Co. Incorporated, J. Emerson Thors of Kuhn, Loeb & Co., and Reginald W. Pressprich, Jr. of R. W. Pressprich & Co.

Continuing governors will be Austin Brown of Dean Witter & Co., Harry C. Clifford of Kidder, Peabody & Co., Clarence E. Goldsmith of White, Weld & Co., Robert J. Lewis of Estabrook & Co. and John W. Valentine of Harris, Hall & Company (Incorporated).

The nominating committee was headed by G. H. Walker, Jr., G. H. Walker & Co.

Blyth Co. Issues Ins. Stock Analysis

SAN FRANCISCO, Calif.—Blyth & Co., Inc., Russ Building, nationwide investment banking firm, announced publication of its annual comparative analysis of the nation's leading insurance stocks.

The analysis gives in simplified chart form comprehensive data about each individual company, its stock value, dividends, composition of assets and volume of business. In addition, profit margins and per share earnings are computed for investors on the basis of a five-year average. Explanatory notes on the information listed in the chart are included in the booklet.

A more realistic earnings appraisal of the stocks is given in the new analysis since it includes estimates on the amount of Federal income tax applicable upon realization of the equity in the unearned premium reserve.

Blyth & Co., Inc., publishes the analysis each year to help investors in insurance stocks. The company is especially equipped to serve in this field.

Zuber, Eschelman With Vercoe & Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Walter M. Zuber and William J. Eschleman have become associated with Vercoe & Co., 17 South High Street, members of the New York Stock Exchange. Mr. Zuber was formerly President and Treasurer and Mr. Eschleman was Secretary of W. M. Zuber & Co., Inc., which has been dissolved.

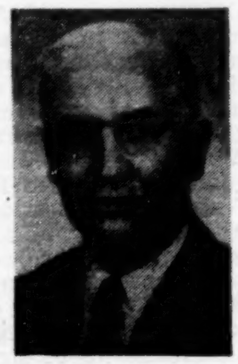
Simplicity of Gold Standard

By FREDERICK G. SHULL*

Connecticut State Chairman, Gold Standard League

To illustrate simplicity of gold standard, Mr. Shull contends it is based on but two factors: (1) the fixing of value of monetary unit in definite weight of gold, and (2) the readiness to exchange all forms of legal currency for gold at the fixed weight of standard and fineness. Contends U. S. has sufficient gold to permit convertibility and there would be little additional demand for gold coin if redeemability were assured.

It is particularly fitting that we should be meeting here at Yale to discuss a subject that was very close to the heart of one of her greatest sons—a man who achieved both national and international fame as an educator, statesman and diplomat, and who also became the greatest exponent of the gold standard that the United States has ever produced. I refer to Dr. Andrew D. White, who graduated from Yale almost one-hundred years ago, and an oil painting of whom graces the wall of the Yale Commons.



Frederick G. Shull

Getting down to the subject that we have come here to discuss—namely, the gold standard — it seems strange that so many people profess to know so little about that subject; and yet, money is something that we all handle—or hope to handle—every day of our lives. It shall be our effort here tonight, therefore, to try to make clear that there is nothing complicated about the gold standard; it involves just two factors, and once one has acquired a clear understanding of those two factors, he shall have come to know as much as he needs to know in order to have a reasonable conception of the gold standard. Here are those factors:

Two Factors

(1) A nation operating on the gold standard must firmly fix the value of its monetary unit (our dollar, for example) in terms of a definite weight of gold. That factor is known as "fixity of value."

(2) Once a nation has so fixed the value of its monetary unit, it must be willing to exchange gold, at that fixed rate, for such of its paper money as may be presented, at the will of the bearer, for such exchange. This factor of soundmoney is known as "redeemability."

Other than these two factors, there is nothing complicated about the gold standard, provided a nation has sufficient gold to back that set-up—which is no problem at all for the United States; for gold is a commodity that, almost literally, we have "running out of our ears."

Let me illustrate the importance of the two factors mentioned, by using the common game of poker for that purpose. In the game of poker the chips—which are the circulating currency of that undertaking — are given a definite value before the game actually starts; and no one may change the value of the chips throughout that particular game. Thus, in poker, the principle of "fixity of value" is carefully carried out. Also in poker, one enjoys the privilege of quitting the game whenever he chooses—either during the game or at its end—and cashing-in his chips at the prearranged value agreed upon. There you have the principle of "redeemability" fully observed.

Now, for the moment, let us think of the bigger game of life—the daily game in which, as in poker, we are all trying to win dollars — as being nothing more than a poker game in which the paper money issued by the Treasury and the Federal Reserve System constitutes the "chips" of this bigger game. Bearing in mind that paper money, in itself, possesses no more intrinsic value than do the pressed-paper chips used in the common game of poker, it becomes evident that paper money requires backing with something of known value — certainly as much as do the chips in poker. In other words, if it is necessary to strictly observe the factor of "fixity of value" in the common game of poker, how much more necessary it is that that factor be strictly observed in this bigger "poker game" of our daily lives; and if, in poker it is necessary that the factor of "redeemability" be strictly observed, how much more important it is that that factor also be observed in this bigger game of life.

Gold Standard Not New

Now someone may say: "Is Mr. Shull trying to introduce some new features into our monetary system since his recently becoming active with the Gold Standard League?" Not at all: these factors are as old as the hills, and have been in use by the leading nations of the world for centuries. It was almost two hundred years ago—in the year 1776, to be exact—that Adam Smith, the greatest economist that the world has ever known, wrote his famous book, "Wealth of Nations." A sizable number of pages of that book are devoted to the subject of money; and Adam Smith gives ample evidence that he was a firm believer in the gold standard with "fixity" of value and "redeemability," as the following will confirm: He speaks of the Bank of England as having—long before the year 1776—at times put more of its paper bank notes into circulation than were needed for handling the commerce of the time; that frequently these surplus notes came back for redemption at a rate tending to deplete the bank's normal stock of gold; and that, as a result, the Bank of England did not hesitate to buy gold bullion in the London free market in gold at as high as 4 pounds sterling per troy ounce—coin that gold into English coins carrying a value of only 3 pounds, 17 shillings, 10½ pence (the "fixed" value of the pound sterling under the gold standard) thus taking a loss on the money itself of from 2 to 3%, in addition to the expense of coinage. And they did this for just one reason: that when the Bank of England put out paper money carrying a stated value in terms of gold, it was willing to support that claim that those notes were actually "as good as gold."

But England hasn't been alone in the support of sound money. For the greater part of our existence as a nation we have been firmly on the gold standard with "fixity of value" and "redeemability." Back in the year 1837, Congress passed a law setting the value of the American dollar at

*An address by Mr. Shull at meeting sponsored by the Yale Chapter of the Society for the Advancement of Management, Yale University, New Haven, Conn., April 28, 1950.

25.8 grains of gold 0.9 fine—thus giving the dollar a pure-gold content of 23.22 grains of gold. Now, as you all know, there are 480 grains in a troy ounce; and 480 divided by 23.22 gives 20.67 as the result. That, therefore, is the basis of the gold-value of the dollar which existed continuously, without change, for 96 years—for the period 1837 to 1933: the well-known value of $20.67 an ounce of fine gold.

But when the New Dealers came along in 1933, they changed all of this—they reduced the value of the dollar from 1/20th to 1/35th of an ounce of gold per dollar; and, by this piece of downright dishonesty, they robbed the entire American people of 41% of their hard-earned assets—amounting to many billions of dollars—in the form of life insurance benefits, dollars that had been invested in government bonds and dollars that had been deposited in the banks for safe-keeping. They thereby cut the value of the dollar from 23.22 to 13 5/7 grains of fine gold—the result one gets from dividing 480 by 35.

By this piece of trickery the Administration (in 1933) seemed to believe that it was creating new intrinsic values—but it was doing no such thing. At the time of this devaluation our stock of gold stood at about 200 million troy ounces, or at $4 billion at the old dollar-value; by the change it became $7 billion—and it looked like a profit of $3 billion. But there was no actual profit whatever so far as real value is concerned—for it makes little difference whether one has 20 paper dollars in his pocket, each dollar worth 1/20th of an ounce of gold; or whether he has 35 paper dollars, each dollar worth only 1/35th of an ounce of gold. The move did not immediately increase our stockpile of gold by as much as one ounce; and, therefore, it created no new actual value.

Historical Record of Redeemability

The factor "redeemability"—as well as the factor "fixity of value"—has a long record of successful use by the leading nations. From 1837 until 1933—or for nearly 100 years—there were only two short periods when one could not convert his American paper dollars into gold at the face value of that currency. Those periods were: during the Civil War, and for a few years thereafter; and during World War I, and for a year or two thereafter. With these exceptions, our paper money enjoyed the privilege of "redeemability" throughout that entire 96 years.

Now there are people today who fear that, if we were to go back to "redeemability," we might not have enough gold to meet the demand for redemption, since our gold stock of $25 billion is a little less than the $27 billion of paper money now in circulation; but history has the following answer to that question:

On Jan. 1, 1879, the law went into effect which restored the privilege of "redeemability" which had been suspended during and after the Civil War. At that time there was in circulation 347 million dollars in paper money; the Treasury's stock of gold was only 330 million dollars; and great fear was expressed that it wouldn't be long after Jan. 1, 1879 before the entire stock of gold would be depleted. It is a matter of record, however, that during the first twelve years after that law went into effect the total paper money presented for redemption amounted to only $28 million dollars. In other words, less than one per cent per year of the paper money in circulation was ever presented for redemption in gold.

No Rush to Convert to Gold

Using that experience as a criterion, it is reasonable to expect that if we were to go back to "redeemability" tomorrow the proportion of paper money presented for redemption would be no greater than it was in that earlier period—meaning that the amount presented for redemption each year should not exceed one-quarter billion dollars. And since we already have twenty-five billion dollars in gold, it is readily seen that we have enough gold to meet that rate of redeemability for at least one hundred years, even if no new gold were added to our present stockpile. But new gold will continue to flow into the Treasury; and, unless we are to continue forever in the "give-away" business, foreigners must sooner or later again start shipping us gold to adjust the excess of our exports of merchandise over our imports. There need be no fear, therefore, that we lack sufficient gold to go back to the honesty of a redeemable paper money.

Few people appear to have any conception of what a $25 billion stockpile of gold looks like. These facts may be of interest: Since one million dollars in gold will weigh about one ton avoirdupois, our stockpile of gold amounts to about 25,000 tons; and since in any metal— steel, gold or aluminum—50 tons is a fair railway carload, we have enough gold to load 500 ordinary freight cars, or ten trainloads of 50 cars per train.

Again, since gold weighs about 1,200 lbs. per cubic foot, our stockpile amounts to fully 40,000 cubic feet—or enough to cast one huge cube of solid gold 34 ft. on an edge—a cube large enough to fill a good part of this auditorium. Why, the United States actually owns considerably more than one-half of all the gold the world has produced since Columbus discovered America—and yet some people fear that our stock is not sufficient to support a return to "redeemability." That, of course, is preposterous!

Now, as to the authorities on whom I have drawn for my facts here presented. I have already referred to both Adam Smith and to Dr. Andrew D. White. Others are: Professor Edwin W. Kemmerer, of Princeton University, who was the greatest monetary expert in this country during the first half of the twentieth century. He was a strong advocate of the gold standard; he wrote and lectured extensively in support of sound money backed with gold; and his last book, "Gold and the Gold Standard," published in 1944 shortly before he died, gives ample evidence of where he stood on this subject.

Today, Professor Westerfield of Yale—who honors us in being present here tonight—is an outstanding authority favoring a prompt return to the gold standard, as evidenced by his great book "Money, Credit, and Banking."

But perhaps as active a professional economist as we have today, working for a return to sound money, is Dr. Walter E. Spahr, Professor of Economics at New York University, and Executive Vice-President of the Economists' National Committee on Monetary Policy, whose headquarters are in the Metropolitan Life Insurance Building, at One Madison Avenue, New York City. That organization includes in its membership some seventy of the leading economists of this country; their names appear on the back of its letterhead; and you will find among them the names of three well-known Yale professors—Professors Fairchild, Hastings, and Saxon—all of whom we are happy to have with us here tonight.

Advocates Reed Bill Passage

Now what can we the public do to get us back on a sound-money basis? As a starter we can do this: There is pending in Congress a bill introduced in the House of Representatives by Congressman Reed, of New York, on March 7, 1949, known as the Reed Bill, H. R. 3262. That bill calls for the definite fixing of the value of the dollar at its presently stated value of $35 an ounce of gold; and it also calls for the restoration of the privilege of "redeemability" at that fixed value—the reasonable privilege which has been denied to the citizens of this country since the year 1934 when an ill-advised Administration was instrumental in bringing into being such a law.

The Reed Bill is now reposing with the House Committee on Banking and Currency, whose chairman is Representative Brent Spence, of Kentucky; and there is no present intention of bringing it out for action by the current 81st Congress. However, if sufficient public interest can be aroused, calling for action on that bill, there is still a good chance that Congress may see the light, and bring the Reed Bill out for action.

Therefore, we can all help by writing our eight Connecticut Congressmen, demanding action on the Reed Bill, H. R. 3262; by also writing the Congressmen of other states, whose names are frequently in the press, thus indicative of their leadership in Washington; and, in addition — and of even greater importance — we should also write the bankers and insurance companies with whom we have entrusted our dollars, and urge them to write Congress demanding action on the Reed Bill—for if there are any groups of our people who should be among the first to lend their support toward the re-establishing of the American dollar on a proper basis, they are the bankers and insurance companies. Their sole product is "dollars"; and those groups—as well as the industrialists of this nation—should be interested in the "quality," as well as the "quantity," of their product.

Until very recently, the bankers and insurance companies of this country have been very remiss in their duty to the public on this important matter—they have been extremely reticent on this subject of a return to sound money. While a few have become more active, there are still many who need to be urged to come out in support of this worthy cause; and if we the public — the customers on whom the bankers and insurance companies depend for the success of their business—clearly let them know that we demand a return to sound money, they will be quite likely to become aroused to their responsibilities as trustees of our dollars.

Name 14 Coms. for Bond Club Field Day

The appointment of 14 committees to direct activities of the Bond Club Field Day on June 2 was announced today by Charles L. Morse, Jr., Hemphill, Noyes, Graham, Parsons & Co., President of the Club. The outing will be held at the Sleepy Hollow Country Club, Scarborough, N. Y. Detailed plans for the event will be completed Friday evening at a dinner to be given at the Union League Club by J. Emerson Thors, Kuhn, Loeb & Co., Chairman of the overall Field Day Committee.


J. Emerson Thors

Heading the various committees are: Egerton B. Vinson, Attendance and Transportation; Edward D. McGrew, Northern Trust Company, Entertainment and Music; James F. Burns, Jr., Golf; William R. Kaelin. Baker, Weeks & Hardin, Tennis; Richard De La Chapelle, Lee, Higginson Corp., Indoor Sports; Edgar J. Loftus, R. S. Dickson & Co., Dinner and Refreshment; Paris Scott Russell, Jr., Glore, Forgan & Co., Carnival and Side Show; Eugene P. Barry, Shields & Co., Trophies; William H. Long, Jr., Doremus & Co., Publicity; Joshua A. Davis, Reynolds & Co., Baseball; David B. McElroy, J. P. Morgan & Co. Inc., Bawl Street Journal; Edward Glassmeyer, Jr., Blyth & Co., Inc., Circulation; Russell Welles, Horseshoe Pitching, and Wickliffe Shreve, Hayden, Stone & Co., Stock Exchange.

Vice-Chairmen of the General Field Day Committee are: William B. Chappell, First Boston Corp.; George J. Gillies, A. C. Allyn & Co., Inc.; Robert L. Hatcher, Jr., Chase National Bank; and David L. Skinner, Harriman Ripley & Co., Inc.

Hogle Opens New Office in New York City

J. A. Hogle & Co., members of the New York Stock Exchange, and specialists in securities of mining and smelting companies, have opened a clearing office in New York at 50 Broadway. Opening of this 13th office in the Hogle organization's system "will enable us to render our customers direct supervision of service and clearance in New York," James A. Hogle, founder and senior partner of the firm pointed out.

Staffed by approximately 30 employees under the supervision of Kenneth J. Howard, resident partner, the new office will be connected by private wire with the firm's other 12 offices and with principal security and commodity market centers of the country. N. Mathew Nilssen will serve as the firm's floor partner on the New York Stock Exchange and Harold L. Gumes will be the floor partner on the New York Curb Exchange.

Founded in 1915 in Salt Lake City by its present senior partner, the firm now has offices in Denver and Boulder, Colorado, Salt Lake City and Ogden, Utah; Butte and Missoula, Montana; Spokane, Washington; Reno, Nevada; Los Angeles, Beverly Hills, Riverside and San Diego, Cal., in addition to the New York office.

Phila. Municipal Club Elects New Officers

PHILADELPHIA, Pa. — At the Ninth Annual Meeting of The Municipal Bond Club of Philadelphia held Thursday, April 27, 1950, at the John Bartram Hotel, the following men were elected officers of the Club:

President: George J. Hanley of Walter Stokes & Co.

Vice-President — Russell C. Schuler of First Boston Corporation.

Secretary — Charles A. Schaufler of Moncure Biddle & Co.

Treasurer—George S. Burgess of H. G. Kuch & Co.

The following men were elected to the Board of Governors to serve for two years:

Willard M. Wright, Jr. of Butcher & Sherrerd.

Newton J. Aspden of Aspden, Robinson & Co.

To serve for one year:

William F. Mills of The Philadelphia National Bank.

UNION PACIFIC RAILROAD COMPANY

FIFTY-THIRD ANNUAL REPORT — YEAR ENDED DECEMBER 31, 1949.

To the Stockholders of Union Pacific Railroad Company:

The Board of Directors submits the following report for the year ended December 31, 1949, for Union Pacific Railroad Company, including Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company, whose properties are leased to Union Pacific Railroad Company. The lessor companies have certain income and charges, and the figures in the Income Account, other than those relating to transportation operations, and in the Surplus Account and General Balance Sheet and tabulations and tables relating thereto are stated on a consolidated basis, *excluding offsetting accounts between companies.*

INCOME.

	1949	1948	Increase	Decrease
Transportation Operations				
Operating revenues	$398,823,082.46	$437,583,131.76	--------	$38,760,049.30
Operating expenses	317,922,665.16	321,403,215.52	--------	3,480,550.36
Revenues over expenses	$80,900,417.30	$116,179,916.24	--------	$35,279,498.94
Taxes	42,729,224.49	59,998,483.29	--------	17,269,258.80
Railway Operating Income	$38,171,192.81	$56,181,432.95	--------	$18,010,240.14
Rents from use of joint tracks, yards, and terminal facilities	1,899,665.37	1,847,718.31	$51,947.06	
	$40,070,858.18	$58,029,151.26	--------	$17,958,293.08
Hire of equipment—debit balance	$15,023,681.89	$12,767,594.14	$2,256,087.75	
Rents for use of joint tracks, yards, and terminal facilities	3,339,739.22	3,285,924.75	53,814.47	
	$18,363,421.11	$16,053,518.89	$2,309,902.22	
Net Income from Transportation Operations	**$21,707,437.07**	**$41,975,632.37**	--------	**$20,268,159.30**
Income from Investments and Sources other than Transportation Operations				
Income from oil and gas operations—net†	$27,140,327.31	$26,540,409.12	$599,918.19	
Dividends on stocks owned	3,736,240.75	2,711,350.50	1,024,890.25	
Interest on bonds and notes owned	1,978,590.40	2,124,657.19	--------	$146,066.79
Other interest income	141,386.83	139,616.35	1,770.48	
Rents from lease of road and equipment	265,799.45	255,503.73	10,295.72	
Miscellaneous rents	510,606.10	513,938.07	--------	3,331.97
Miscellaneous income	977,981.47	54,333.13	923,648.34	
Total	$34,750,932.31	$32,339,808.09	$2,411,124.22	
Total Income	$56,458,369.38	$74,315,440.46	--------	$17,857,071.03
Fixed and Other Charges				
Interest on funded debt	$5,766,477.96	$5,946,176.08	--------	$179,698.12
Interest on unfunded debt	383,104.63	382,331.18	$5,773.45	
Miscellaneous rents	27,178.81	27,884.11	--------	705.30
Miscellaneous charges	686,881.22	669,456.30	17,424.92	
Total	$6,868,642.62	$7,025,847.67	--------	$157,205.05
Net Income from All Sources	**$49,589,726.76**	**$67,289,592.79**	--------	**$17,699,866.03**
Released from "Reserve against possible refunds on U. S. Government shipments"	104,811.71	164,730.97	--------	59,919.26
Total for Disposition	**$49,694,538.47**	**$67,454,323.76**	--------	**$17,759,785.29**
DISPOSITION				
Dividends on Stock of Union Pacific Railroad Co.:				
Preferred stock:				
2% paid April 1, 1949 $1,990,862.00				
2% paid October 1, 1949 1,990,862.00	$3,981,724.00	$3,981,724.00		
Common stock:				
2½% paid April 1, 1949 $5,557,275.00				
2½% paid July 1, 1949 5,557,275.00				
2½% paid October 1, 1949 5,557,275.00				
2½% payable January 3, 1950 5,557,275.00	22,229,100.00	26,674,920.00	--------	$4,445,820.00
Total Dividends	$26,210,824.00	$30,656,644.00	--------	$4,445,820.00
Transferred to Earned Surplus—Unappropriated	**$23,483,714.47**	**$36,797,679.76**	--------	**$13,313,965.29**

†Excludes Federal income taxes.

Operating results for year 1949 compared with year 1948:

	1949	1948	Increase	Decrease	Per Cent
Average miles of road operated	9,724.78	9,751.91	--------	27.13	.3
OPERATING REVENUES					
Freight	$332,654,719.33	$359,724,653.06	--------	$27,069,933.73	7.5
Passenger	32,400,922.69	42,369,214.94	--------	9,968,292.25	23.5
Mail	13,463,136.65	12,501,509.49	$961,627.16	--------	7.7
Express	4,720,146.97	5,735,702.67	--------	1,015,555.70	17.7
Other passenger-train	5,568,564.19	7,149,236.34	--------	1,580,672.15	22.1
Switching	4,298,953.41	3,652,444.78	646,508.63	--------	17.7
Other	5,716,639.22	6,450,370.48	--------	733,731.26	11.4
Total operating revenues	$398,823,082.46	$437,583,131.76	--------	$38,760,049.30	8.9
OPERATING EXPENSES					
*Maintenance of way and structures	$63,410,805.26	$60,680,925.70	$2,729,879.56	--------	4.5
*Maintenance of equipment	73,337,288.64	72,865,946.49	471,342.15	--------	.6
Total maintenance	$136,748,093.90	$133,546,872.19	$3,201,221.71	--------	2.4
Traffic	9,118,499.77	9,333,131.80	--------	$214,632.03	2.3
Transportation	148,980,346.01	154,397,878.83	--------	5,417,532.82	3.5
Miscellaneous operations	11,858,598.30	13,112,488.13	--------	1,253,889.83	9.6
General	11,217,127.18	11,012,844.57	204,282.61	--------	1.9
Total operating expenses	$317,922,665.16	$321,403,215.52	--------	$3,480,550.36	1.1
Revenues over expenses	$80,900,417.30	$116,179,916.24	--------	$35,279,498.94	30.4
TAXES					
State and county	$16,187,349.50	$14,971,732.00	$1,215,617.50	--------	8.1
Federal income	$15,843,909.83	$34,840,293.00	--------	$18,996,383.17	54.5
Federal unemployment insurance	810,212.42	801,145.21	$9,067.21	--------	1.1
Federal retirement	9,776,899.89	9,302,092.38	474,807.51	--------	5.1
Other Federal	110,852.85	83,220.70	27,632.15	--------	33.2
Total Federal	$26,541,874.99	$45,026,751.29	--------	$18,484,876.30	41.1
Total taxes	$42,729,224.49	$59,998,483.29	--------	$17,269,258.80	28.8

	1949	1948	Increase	Decrease	Per Cent
Railway Operating Income	$38,171,192.81	$56,181,432.95	--------	$18,010,240.14	32.1
Equipment rents (debit)	15,023,681.89	12,767,594 14	$2,256,087.75	--------	17.7
Joint facility rents (debit)	1,440,073.85	1,438,206.44	1,867.41	--------	.1
Net Railway Operating Income	**$21,707,437.07**	**$41,975,632.37**	--------	**$20,268,195.30**	**48.3**
Per cent—Operating expenses of operating revenues	79.72	73.45	6.27	--------	8.5
*Includes depreciation, amortization and retirement charges:					
Maintenance of way and structures	$6,268,468.45	$6,460,560.90	--------	$192,092.45	
Maintenance of equipment	14,226,194.98	12,456,540.92	$1,769,654.06		
FREIGHT TRAFFIC *(Commercial Freight only)*					
Tons of revenue freight carried	47,082,024	52,156,787	--------	5,074,763	9.7
Ton-miles, revenue freight	25,918,650,763	29,167,846,419	--------	3,249,195,656	11.1
Average distance hauled per ton (*miles*)	550.50	559.23	--------	8.73	1.6
Average revenue per ton-mile (*cents*)	1.283	1.233	.050	--------	4.1
Average revenue per freight-train mile	$12.72	$12.93	--------	$.21	1.6
PASSENGER TRAFFIC					
Revenue passengers carried	2,319,752	2,624,444	--------	304,692	11.6
Revenue passengers carried one mile	1,431,213,703	1,774,949,510	--------	343,735,807	19.4
Average distance hauled per passenger (*miles*)	616.97	676.31	--------	59.34	8.8
Average passengers per passenger-train mile	92.38	109.10	--------	16.72	15.3
Average revenue per passenger-mile (*cents*)	2.264	2.387	--------	.123	5.2
Average revenue per passenger-train mile, passengers only	$2.09	$2.60	--------	$.51	19.6
Average total revenue per passenger-train mile	$3.25	$3.79	--------	$.54	14.2

GENERAL BALANCE SHEET—ASSETS.

	December 31, 1949	December 31, 1948	Increase	Decrease
Investments:				
Road and Equipment	$1,187,016,250.25	$1,160,143,725.23	$26,872,525.02	
Less:				
Receipts from improvement and equipment fund	$23,823,091.13	$23,823,091.13		
Appropriations from income and surplus prior to July 1, 1907, credited to this account	13,310,236.52	13,310,236.52		
Total	$37,133,327.65	$37,133,327.65		
Road and equipment property	**$1,149,882,922.60**	**$1,123,010,397.58**	**$26,872,525.02**	
Donations and grants (Credit)	*$13,928,530.73*	*$12,139,823.29*	*$1,788,707.44*	
Reserve for depreciation — road and equipment (Credit)	*$186,235,706.84*	*$177,300,386.33*	*$8,935,320.51*	
Reserve for amortization of national defense projects (Credit)	*$58,691,830.71*	*$58,481,517.12*	*$210,313.59*	
Sinking funds	$726.25	$307.50	$418.75	
Capital and other reserve funds	$9,234.88	$9,078.55	$156.33	
Miscellaneous physical property	$34,360,770.68	$31,827,411.94	$2,533,358.74	
Reserve for depreciation — miscellaneous physical property (Credit)	*$16,844,176.11*	*$15,467,041.65*	*$1,377,134.46*	
Investments in affiliated companies:				
Stocks	$20,308,013.24	$20,308,013.24		
Notes	307,782.14	321,402.14	--------	$13,620.00
Advances	8,163,685.32	8,463,608.98	--------	299,923.66
Total	$28,779,480.70	$29,093,024.36	--------	$313,543.66
Other investments:				
Stocks	$64,048,875.42	$64,048,872.42	$3.00	
Bonds and notes	24,040,747.01	23,055,404.79	985,342.22	
Total	$88,089,622.43	$87,104,277.21	$985,345.22	
Reserve for adjustment of investments in securities (Credit)	*$33,832,829.01*	*$33,842,953.87*	--------	*$10,124.86*
Total Investments	**$991,589,684.14**	**$973,812,774.88**	**$17,776,909.26**	
Current Assets:				
Cash	$48,092,933.78	$32,917,116.72	$15,175,817.06	
Temporary cash investments (U. S. Government securities)	57,087,916.66	86,640,024.00	--------	$29,552,107.34
Special deposits	244,566.50	397,085.82	--------	152,519.32
Loans and bills receivable	359.01	524,339.48	--------	523,980.47
Traffic and car-service balances—net	10,109,331.15	10,324,099.16	--------	214,768.01
Net balance receivable from agents and conductors	4,309,313.20	3,992,815.99	316,497.21	
Miscellaneous accounts receivable	13,268,892.99	16,362,179.64	--------	3,093,286.65
Material and supplies	35,317,424.06	41,592,665.99	--------	6,275,241.93
Interest and dividends receivable	487,714.22	548,227.83	--------	60,513.61
Accrued accounts receivable	11,944,114.40	12,111,549.30	--------	167,434.90
Other current assets:				
Baltimore and Ohio Railroad Co. capital stock applicable to payment of extra dividend of 1914	105,485.30	105,841.30	--------	356.00
Miscellaneous items	171,334.14	2,983,909.32	--------	2,812,575.18
Total Current Assets	$181,139,385.41	$208,499,854.55	--------	$27,360,469.14
Deferred Assets:				
Working fund advances	$123,337.51	$115,177.50	$8,160.01	
Other deferred assets	2,767,860.01	3,396,700.14	--------	$628,840.13
Total Deferred Assets	$2,891,197.52	$3,511,877.64	--------	$620,680.12
Unadjusted Debits:				
Prepayments	$880.72	$2,001.36	--------	$1,120.64
Other unadjusted debits	1,474,027.45	1,578,542.32	--------	104,514.87
Total Unadjusted Debits	$1,474,908.17	$1,580,543.68	--------	$105,635.51
Grand Total	**$1,177,095,175.24**	**$1,187,405,050.75**	--------	**$10,309,875.51**

GENERAL BALANCE SHEET—LIABILITIES.

	December 31, 1949	December 31, 1948	Increase	Decrease
Capital Stock:				
Common stock	$222,302,500.00	$222,302,500.00		
Preferred stock	99,591,580.79	99,591,580.79		
Total Capital Stock	$321,894,080.79	$321,894,080.79		
Funded Debt	225,991,778.07	237,508,750.44	--------	$11,516,972.37
Total Capital Stock and Funded Debt	$547,885,858.86	$559,402,831.23	--------	$11,516,972.37
Due to Affiliated Companies	$9,218,605.81	$7,208,328.55	$2,010,277.26	
Current Liabilities:				
Audited accounts and wages payable	$20,935,670.41	$23,938,299.50	--------	$3,002,629.09
Miscellaneous accounts payable	4,260,869.48	4,555,979.87	--------	295,110.39
Interest matured unpaid (including interest due first proximo)	253,779.63	401,906.40	--------	148,126.77
Dividends matured unpaid:				
Dividends due but uncalled for	267,660.33	270,250.67	--------	2,590.34
Extra dividend on common stock declared January 8, 1914, payable to stockholders of record March 2, 1914, unpaid	113,799.39	114,161.44	--------	362.05
Dividend on common stock payable third proximo	5,557,275.00	10,003,095.00	--------	4,445,820.00
Unmatured interest accrued	1,626,873.61	1,650,605.70	--------	23,732.09
Accrued accounts payable	14,680,647.43	10,618,702.91	$4,061,944.52	
Taxes accrued	35,378,707.15	54,070,355.14	--------	18,691,647.99
Other current liabilities	1,996,034.26	3,323,120.50	--------	1,327,086.24
Total Current Liabilities	$85,071,316.69	$108,946,477.13	--------	$23,875,160.44
Deferred Liabilities	$7,714,341.63	$7,974,486.55	--------	$260,144.92
Unadjusted Credits:				
Premium on funded debt	$4,477,387.15	$4,700,655.68	--------	$223,268.53
Reserve for fire insurance	17,828,709.77	16,810,283.38	$1,018,426.39	
Reserve for depreciation—leased property	6,517.99	5,899.53	618.46	
Other unadjusted credits	2,270,459.74	3,840,833.60	--------	1,570,373.86
Total Unadjusted Credits	$24,583,074.65	$25,357,672.19	--------	$774,597.54
Total Liabilities	$674,473,197.64	$708,889,795.65	--------	$34,416,598.01

	December 31, 1949	December 31, 1948	Increase	Decrease
Surplus:				
Unearned surplus	$270,840.24	$270,677.72	$162.52	
Earned surplus—appropriated:				
Additions and betterments	$28,522,352.23	$28,522,352.23		
Funded debt retired through income and surplus	6,730,647.41	5,526,341.16	$1,204,306.25	
Sinking fund reserves	726.25	307.50	418.75	
Reserve against possible refunds on U. S. Government shipments	1,924,630.30	2,029,442.01	--------	$104,811.71
Total Earned Surplus—Appropriated	$37,178,356.19	$36,078,442.90	$1,099,913.29	
Earned Surplus — Unappropriated	$425,588,233.93	$402,581,587.24	$23,006,646.69	
Total Earned Surplus	$462,766,590.12	$438,660,030.14	$24,106,559.98	
Total Surplus	$463,037,430.36	$438,930,707.86	$24,106,722.50	
As this consolidated balance sheet excludes all intercompany items, securities of the Los Angeles & Salt Lake Railroad Company and The St. Joseph and Grand Island Railway Company owned by other System companies are not included. The difference between the par and face value of such securities as carried on the books of the issuing companies (less unextinguished discount on the bonds and discount charged to Earned Surplus—Unappropriated but added back in consolidating the accounts) and the amounts at which the securities are carried on the books of the owning companies is set up here to balance	$39,584,547.24	$39,584,547.24		
Grand Total	$1,177,095,175.24	$1,187,405,050.75	--------	$10,309,875.51

EXPENDITURES CHARGEABLE TO INVESTMENT IN ROAD AND EQUIPMENT PROPERTY:

Additions and Betterments (excluding equipment)	$14,242,970.51
Equipment	23,342,922.90
Total Expenditures	$37,585,893.41
Credits to investment in Road and Equipment Property:	
Cost of road property retired and not replaced	$3,118,147.88
Cost of equipment retired	7,595,220.51
Total Credits	$10,713,368.39
Net increase in investment in "Road and Equipment Property"	$26,872,525.02

"Disinflation" in Britain?

By PAUL EINZIG

In discussing claim Sir Stafford Cripps budget is "disinflationary," Dr. Einzig points out, because of "full employment" in Britain, it is becoming increasingly difficult for Labor Government to resist workers' claims for higher wages. Looks for greater efforts to reduce retail prices to forestall demand for wage increases.

LONDON, ENG.—This year's Budget was awaited in Britain with unusual interest, because of the political implications of its underlying principles. It was widely believed that the Cabinet had overruled Sir Stafford Cripps, and that he would consequently produce a "political" rather than an "economic" Budget. There can be no doubt that from a purely economic point of view a disinflationary Budget was called for. Even though the gold position has improved and the balance of payments is at the moment reasonably satisfactory, the need for further measures to offset the excessive volume of purchasing power in circulation is realized in many quarters. On the other hand, from a political point of view it was to the interest of the Government to make substantial Budgetary concessions, in order to prepare the way for the next general election.

Dr. Paul Einzig

Confronted with the dilemma, the Government resorted to a compromise. The terms of the Budget do not indicate either inflation for the sake of electioneering considerations or deflation for the sake of filling the dollar gap. It is to the credit of Sir Stafford Cripps that he has resisted pressure in favor of popular but costly concessions which would have necessitated the unbalancing of the Budget. There was much talk in recent weeks about a reversion of the principle which was popular immediately after the war, that it does not matter if in any one year there is a Budgetary deficit so long as it is offset by corresponding surpluses in the course of a series of financial years. The application of this principle would of course have been quite inappropriate in present circumstances. It was invented for the purpose of fighting slumps by means of deficit financing and resisting booms by means of surplus financing. Amidst the prevailing over-full employment deficit financing would be entirely unjustified.

Considerable pressure was brought to bear on the Chancellor of the Exchequer by Trades Unions which threatened that, unless substantial concessions are given, they would have to insist on higher wages. In spite of these threats, Sir Stafford Cripps refused to inflate.

On the other hand, the Government was equally firm in resisting pressure in favor of drastic disinflation. At the time of the devaluation the Prime Minister foreshadowed further measures to prevent a rise in costs. There were, however, no further measures beyond those decided upon in October, 1949. They included a reduction of food subsidies from £465,000,000 to £410,000,000, and some curtailment of capital expenditure. Beyond that the Government was not prepared to go. Indeed it might not have been expedient to proceed further, because it would have led to discontent among the industrial workers.

Nevertheless, the Government claims to pursue a disinflationary policy. It would be difficult to substantiate this claim. Amidst prevailing over-full employment it would indeed be difficult to curtail purchasing power at home in order to divert towards exports a larger proportion of the national output. Any such measure would conflict with the prevailing political and industrial balance of power in Britain. So long as there are many times more vacant jobs than applicants for these jobs the Government would find it politically difficult to take steps which would be considered hostile by the Trades Unions. The most it could do is to resist demand in favor of active measures in their favor.

The question is, will it be possible for the Government in the absence of concessions to industrial workers, to resist the rising trend of wages claims? That trend is the natural consequence of over-full employment. It corresponds to the relation between supply and demand in the labor market. The rising trend of prices tends to cause an increase of profits, which again tends to increase the difficulties of resisting wages claims. Nor is the government in a position to satisfy the workers by introducing further drastic anti-capitalist taxation measures. The taxation of profits in Britain is already bordering the prohibitive level. Even Sir Stafford Cripps was forced to admit that much. He refused to discourage enterprise further by yielding to Left-wing Socialist pressure in favor of further additions to the burden of taxation on industry.

There remained one device to allay discontent among workers. The Government foreshadowed during the Budget debate certain measures leading to reductions of retail prices through compulsory reduction of margins between wholesale and retail prices, or through removal of restrictions imposed by manufacturers of proprietary goods on the retail prices of their products. Should such measures be successful it might be possible to stem the rising tide of wages, though this would be done at the expense of sacrificing legitimate industrial and commercial interests. The position of a Government confronted with such a choice is anything but enviable.

Frank L. Hall With Sutro Bros. & Co.

Sutro Bros. & Co., members of the New York Stock Exchange, announce that Frank L. Hall is associated with the firm as comanager of its Arbitrage Department. Mr. Hall, formerly conducted his own investment business in New York under the firm name of Frank L. Hall Co.

Coffin, Betz & Co. Opens New Branch

BETHLEHEM, Pa.—Coffin, Betz & Co., members of the New York Stock Exchange and the Philadelphia-Baltimore Stock Exchange announces the opening of an office in Bethlehem, Pa. at 214-216 Union Bank Building, under the management of Francis L. Corbeau.

E. E. Myers Command V.F.W. Post No. 310

Elmer E. Myers was installed as Commander of Crossroads of the World Post V.F.W. No. 310 at a meeting of the Post held on Thursday evening, April 27, 1950 at the Washington Square Inn. Brigadier General Wendell Westover delivered an address concerning the possibilities of World War III.

Elmer E. Myers

The membership of the Post includes a large percentage of men from the financial district. Mr. Myers served in France in World War I with the 303 Bn. Tank Corps and also in the African Campaign in World War II.

Veterans with foreign service desiring to join the Post are invited to contact the Commander, c/o George B. Wallace & Co. at 15 William Street, New York City for further information.

Edith Hirsch to Speak

Mrs. Edith Hirsch, consultant economist on commodities and an authority on world food problems, will speak on "The World Food Position" at the New School for Social Research, 66 West Twelfth Street, Thursday, May 4, 8:30 p.m.

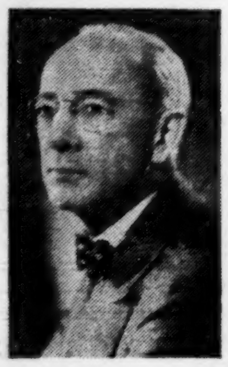
Mrs. Hirsch is guest lecturer in the series "World Economic Geography" given at the New School by Dr. Hans Staudinger and Alexander Melamid.

Compensatory Spending And National Bankruptcy

By GEORGE E. STRINGFELLOW*
Vice-President, Thomas A. Edison, Inc.
Chairman, Board of Trustees of Ithaca College

Prominent engineering executive points out fallacies of "Compensatory Spending" theory, which he contends is practiced by President Truman as well as late President Roosevelt. Warns inflation followed by national bankruptcy and dictatorship will ensue, if Federal Government deficits continue, and contends U. S., by its financial assistance, is aiding Socialism in Britain and Communism in Poland. Concludes "there won't be any government economy until there is another man in the White House," and urges on individuals duty to elect new Administration.

Some years ago Lenin, the chief architect of Communism, said, "Some day we will force the United States to spend herself to destruction."



G. E. Stringfellow

Eighteen years ago the annual cost of Federal Government was under $5 billion and the national debt was slightly under $20 billion.

The cost of Federal Government for the fiscal year ending June 30 next will exceed $46 billion. The Federal debt is now approximately $260 billion, not including some bad loans which will have to be charged off.

In order to understand the enormous increase in the cost of our government, let me make a few comparisons:

During President Roosevelt's three terms, the average yearly spending of the Federal Government was $31 billion, including most of the military cost of World War II and F.D.R., as you recall, was no miser in spending public funds. In the four postwar years of Truman's administration, the average yearly spending jumped from $31 billion to $45 billion—an increase of almost 50%.

The Truman administration collected an average of $42 billion dollars per year in taxes, or three times the average collected by Roosevelt.

It would, therefore, appear that we are well on the way to making Lenin's prediction a grim reality.

In 1932 the Democratic Party pledged all candidates who ran on its platform to reduce the cost of government at least 25% by abolishing useless commissions and offices, consolidating departments and bureaus and eliminating extravagance. "That platform," said Candidate Roosevelt, "is a covenant with the people and when I'm elected," he continued, "I shall put it into effect in every detail."

In the words of a former governor of this state, "Let us look at the record."

Immediately following his inauguration to the Presidency, Franklin Roosevelt set out to implement the promises set forth in the Democratic platform which, in my opinion, was one of the greatest documents ever submitted by any political party in the history of our country. The Republican Party would do well to adopt it in 1952 unless it wants to continue to be a "me too" party.

During the first four months of Roosevelt's first administration he did a remarkable job of cutting the cost of government. It has been estimated that as a result of this almost unprecedented service to the people, at least 90% of the people of this republic were enthusiastically supporting the President at the time of his first fireside chat.

*An address by Mr. Stringfellow before the Purchasing Agents Dinner, New York City, April 18, 1950.

Philosophy of Compensatory Spending

Almost immediately afterwards he showed a complete reversal in his policy on cost of government and Federal debt. How can Candidate and President Roosevelt's right-about-face on cost of government and debt be reconciled with his advocacy of economy during his campaign and the first four months of his first term? Here, I think, is the answer to that question. He embraced the philosophy—compensatory spending — of Lord John Maynard Keynes, British socialist economist, who visited President Roosevelt in 1933. According to the British press, Keynes' ideas "captivated President Roosevelt." Those who are in a position to know say that Roosevelt's about-face stemmed from this "captivation." The Keynes philosophy—the more you spend the more you have—has been practiced in this country in an increasing degree since Roosevelt embraced it in 1933.

It has infiltrated the states and municipalities of our nation; it is largely responsible for our inflated debt, unbalanced budget, and general extravagance. Let us follow its destructive effects:

In 1932 there were 30 major Federal agencies. There are today 62 major Federal agencies, an increase of 110%.

On Dec. 31, 1932, there were 564,103 Federal employees. On Dec. 31, 1949, there were 1,981,156—an increase of 252%.

When he first took office, President Roosevelt was terribly disturbed about the size of our debt which was less than $20 billion. Five years later, when that debt had reached $38 billion, he said, "Our national debt, after all, is an internal debt owed not only by the nation but to the nation. If our children have to pay interest on it, they will be paying interest to themselves." In a short span of five years after taking office, President Roosevelt was looking upon an increased debt as a national asset.

Keynes' philosophy of "compensatory" spending has about bankrupted Britain. That philosophy destroyed Rome. Keynes' philosophy is advocated by the Communists for our destruction and is certainly taking root here to the gratification of Joe Stalin, whom President Truman referred to in the last Presidential campaign as "good old Joe."

Rome fell because her rulers gained and retained power through false promises and the use of taxpayers' money with which to corrupt the electorate, a procedure not different from that which our British brethren and our American politicians have been employing.

Our politicians appear to be more interested in balancing the budgets of foreign countries than they are in balancing our own. Let me give you a couple of examples. Within a week, Dean Acheson, Secretary of State, rebuked the Government of Korea for not balancing her budget. Acheson said the Korean unbalanced budget is bringing about an inflationary crisis in that country. He told them in effect that if they didn't cut expenses and balance their budget, our government might stop giving the Koreans American taxpayers' money. Acheson also instructed our Ambassador in Greece to inform the government there that it must balance its budget to avoid inflation, otherwise we might withdraw our subsidies.

Yet, President Truman budgeted a deficit this year of $900 million. That deficit will exceed $7 billion. He is budgeting a deficit for the fiscal year ending June 30, 1951, of $5 billion which could easily exceed $10 billion since he is notorious for over-estimating government income and under-estimating government expenditures.

Inflation Certain If Deficits Continue

If we continue to spend more than we take in, inflation in this country is as certain as night follows day. And, it was inflation that made Mussolini; it was inflation that made Hitler; it was inflation that made Stalin, and inflation will produce a dictator in America. Let us not delude ourselves into believing that an American dictator would be more benevolent, more generous, or more decent than Mussolini, Hitler or Stalin.

Much has been said in recent years about Britain's dollar shortage, but very little has been said about the cause of that shortage. Britain's dollar shortage is caused by inefficient management, confiscatory taxes, and the chloroforming of incentives by the Socialist Government.

We are doing the same thing in this country in a measure. We too have a dollar shortage. Our dollar shortage doesn't seem to disturb our Government officials. Our budget has been balanced but twice in 20 years and then by accident. Our dollar shortage is the result of our spending more than we can afford. It stems from the same trouble that Korea is having; it stems from the same trouble the Greeks are having—both have been told by our Secretary of State that they must reduce their outgo to meet their income. It never dawns on our politicians that if we do not reduce our outgo to meet our income that we, too, will have inflation from which chaos and Communism grow.

In pleading for a balanced budget and a reduction in Federal cost of government, as well as a reduction in Federal debt, Candidate Roosevelt in 1932 said that a government, like a family, can spend more than it takes in for a year or two, but any government or any family that becomes a spendthrift and spends more than it takes in for more than a year or so, is headed for the poorhouse. I think he was right. Our Government has been spending more than it has been taking in, not for a "year or so" but for 18 years and there is no prospect for a balanced budget until we discard the Keynes' theory of compensatory spending, which is another way of saying "until we get rid of Truman."

Government Bankruptcy Leads to Dictatorship

When a corporation gets into financial difficulties, the courts appoint a receiver who either liquidates the corporation's assets or reorganizes and staffs it with new management. In either case, the stockholders lose most of their investment.

When a government gets into financial difficulties, there is no court to appoint a receiver. A self-appointed dictator arises who takes over, not as a receiver responsible to a court of law, not as an elected public official responsible to the people, but as a dictator responsible only to his whim. He prescribes their way of life. The people become his subjects.

There is still clamor in this country for aid to Socialist Britain and other nations at the expense of the sorely pressed American taxpayer. It seems to me that we might give thought to the fact that since World War I our Government aided Britain to the tune of approximately $44 billion. This is equal to the cash-in value of all life insurance policies in the United States. Since World War II we have aided Britain and other nations, by grants, exceeding $33 billion—grants which have kept Socialism alive in Britain. Had the British Socialist Government not been subsidized with American taxpayers' money, Britain's Socialism would have died on the vine long, long ago.

The Socialists in Britain tell us that American capitalism and free enterprise are on their last legs. Indeed they will be if we continue to subsidie the various segments of the peoples of the world in idleness.

Much of the American taxpayers' money is used both to fight and to support Communism. Let me give you an example. Since World War II we have given the Greek Government around $600 million with which to fight Communism. Since World War II we have given communist Russia, through Lend Lease and other grants, $440 million of our taxpayers' money and we have given her satellite Poland more than $480 million, and until recently we were buying rye from Poland which aided her economy. Even morons know that we have a great surplus of rye in this country. I know that this aid to the Communists, amounting to more than $920 million since World War II, is hard to believe, but I would have you understand that the United States Department of Commerce and Senator Harry Flood Byrd of Virginia are my authority for this statement. It is obvious, therefore, that we are fighting Communism on the fringe and wooing and feeding it at the core.

Has Truman Embraced "Compensatory Spending"?

It is clear from Truman's record that he, like his immediate predecessor and his socialist-minded British brethren, has embraced the Keynes philosophy of compensatory spending and not unlike former President Roosevelt, he seems to look upon a mounting debt as an asset. "We owe it to ourselves" is perhaps his philosophy too.

On his return from a month's vacation in Florida, at the taxpayers' expense, President Truman was quoted in the press as having said, "The country is in fine shape." There would be some justification for such enthusiasm if the income of the Government was in excess of our outgo and our national debt and its annual cost were being systematically reduced.

If we cannot balance our budget when the country is "in fine shape" what will happen to us when we run into the next tailspin? That is something that never dawns on Fair Dealers, liberals or pinks.

Examples of Extravagance

If anyone ever supposed that the Truman Administration was interested in economy, a look at a recent report of the Armed Services Committee of the House would correct the impression. It mentions the following five items:

A budget request is pending for a new $18 million veterans' hospital in the Los Angeles area, while the Navy is closing the 1,500 bed Long Branch Naval Hospital in the same area.

A 500-bed veterans' hospital is being built in Philadelphia, while the Army is closing the 2,000-bed Valley Forge Hospital 20 miles away.

The veterans' agency plans to build 1,000-bed hospitals in Boston and Brockton, Mass., while the Army is closing the Murphy General Hospital at Waltham, Mass.

The Veterans Administration wants to build a 500-bed hospital in Atlanta, while the Army is closing the Oliver General Hospital at Augusta, Ga.

A 500-bed veterans' hospital is planned at Ann Arbor, Mich., while the Army is closing the 1,600-bed Jones Hospital at Battle Creek.

There won't be any Government economy until there is another and a different kind of man in the White House.

During the last 18 years a Roman holiday has been declared by and for our "spendthrift and muddling" politicians. Governmental extravagance has been the order of the day. The national debt has increased from $20 billion to $260 billion—an increase of 1200%. The annual cost of government has increased from $5 billion to close to $46 billion, an increase of over 800%.

How long will it take the American people to learn the lesson of the collapse of the Roman Empire and understand why Britain is tottering? How long will it take them to realize that the Keynes philosophy of "compensatory spending" will lead to ruin if we don't put a stop to it soon?

I conceive it to be the duty of the men in our segment of the human family to become Paul Reveres. We owe it to our founding fathers; we owe it to the present generation; and we owe it to posterity to do our part in saving our way of life—a way of life which has given us a higher living standard and greater liberty in 160 years than any peoples have experienced in 6,000 years.

Those businessmen who are unwilling to risk their necks in the defense of a great cause will likely lose their souls. Those who by their inaction are saying to the selfish politicians, whose greed for gold and lust for power is rapidly consuming us, "Go ahead, we will do nothing to block your way to our destruction," are aiding and abetting our destruction.

If America falls, it will be from extravagance, internal decay, and cowardice. We see these three adversaries around us constantly. America will not follow the Roman road to ruin if we and millions of others like us discharge our duty as citizens and thus prove that we are worthy of our great heritage.

The times call for the election of
men to public office of
Strong minds, great hearts, true
faith and willing hands;
Men whom the lust of office does
not kill;
Men whom the spoils of office
cannot buy;
Men who possess opinions and a
will;
Men who have honor, men who
will not lie;
Men who stand before a demagogue and damn his treacherous flatteries without winking;
Tall men, suncrowned, who live
above the fog,
In public duty and in private
thinking.

Two such men, who reflect the philosophy of our founding fathers and place principles above patronage and principles above party loyalty, are the Senior United States Senator from Ohio, Robert A. Taft, and the Senior United States Senator from Vir-

ginia, Harry F. Byrd. They, in my opinion, constitute a symbol of our way of life. These men are constantly being smeared by New Dealers, Fair Dealers, pinks, professional liberals, and Communists.

Wm. F. Treiber V.-P. Of Fed. Reserve of NY

William F. Treiber, Assistant Vice-President, has been appointed a Vice-President of the Federal Reserve Bank of New York effective May 1, Allan Sproul, President, announced.

Wm. F. Treiber

Edward G. Guy, attorney in the Legal Department, has been appointed assistant counsel, it was also announced.

A native of New York City, Mr. Treiber was graduated from Columbia College in 1927 and from Columbia University Law School in 1929; he is also a graduate of the Graduate School of Banking at Rutgers University. After association in the general practice of the law with Sullivan & Cromwell, and with Robb, Clark & Bennit, he joined the Federal Reserve Bank as an Assistant Counsel in 1934. He served as Secretary of the Bank from 1942 to 1949, becoming an Assistant Vice-President in 1945. As Vice-President, he will have general administrative duties as an assistant to the President and the First Vice-President.

Mr. Treiber is married, has two children, and lives in Mount Vernon, N. Y., and Winchester Center, Conn.

Mr. Guy, who joined the Bank in 1940 following graduation from Harvard Law School, served with the Navy from 1942 to 1945, and was discharged with the rank of lieutenant, senior grade. He is married, has one daughter, and lives in Ossining, N. Y.

Hobbs Heads Dept. For Clark, Dodge Co.

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange, announce that William A. Hobbs has become associated with the firm and will be in charge of their research department. Mr. Hobbs returned to New York from Cleveland, Ohio, where he had been with the National City Bank of Cleveland since 1941 serving that institution successively as Trust Investment Officer, Assistant Vice-President and Vice-President. Since 1948 he has been the chief investment officer of that bank.

Prior to 1941, Mr. Hobbs spent seven years with the Bankers Trust Co., New York, as a member of that company's research staff.

Edw. M. Bradley Co. Boston Exch. Member

NEW HAVEN, Conn.—On April 24, E. Holbrook Bradley, President of Edward M. Bradley & Co., Inc., 215 Church Street, was elected a member of the Boston Stock Exchange, having acquired the membership formerly held by the late Edward M. Bradley. Thus, Edward M. Bradley & Co., Inc., now becomes a member corporation of the Boston Stock Exchange.

Gold Coin Standard Advocated by GOP Group

Eighteen plank proposals submitted for consideration of all members of the National Republican Club by its National Affairs Committee, include, among others, opposition of government competition with private enterprise, establishment of a gold coin standard, resistance to further tax and debt increases.

"The plank proposals," Cornelius Wickersham, Jr., Chairman of the National Affairs Committee, said, in reporting them to Bernard Katzen, President of the Club, "were developed out of suggestions and then submitted for reaction of the 41 members of the Committee.

"Twenty-nine furnish their reactions as being for, against, or neutral on separate planks. Twenty-five agreed to go along with the program of planks as a whole regardless of any reservations they may have had on individual planks. One indicated opposition and three expressed neutrality.

"The plank proposals as developed by the National Committees together with additional ones proposed by persons outside of the Committee are now being mailed out for consideration of all of the 2,500 members of the National Republican Club residing in as many as 44 States, Puerto Rico, Cuba, and in two instances, in as distant places as Tokyo and Buenos Aires.

"Reactions of the Club's members, are to be sent to George F. Bauer and Alfred E. Waller, who as members of the National Affairs Committee will tabulate them in a summary for review of the reactions to each plank proposal separately and to the program of plank proposals as developed as an entity."

Among the planks is the following asking for a gold coin standard:

"Advocate sound money and pledge itself to a gold coin standard at $35 per ounce as a means of providing our people with the best type of money to conduct commerce in the spirit of the American way, to encourage private investments so essential to creation of work opportunities on a large front for our citizens and to protect our people from depreciation of the buying power of their savings in bonds, insurance, and bank accounts."

Peter A. H. Voorhis With Broad St. Sales

Peter A. H. Voorhis has joined Broad Street Sales Corp., 65 Broadway, New York City, general distributor of Broad Street Investing Corp., National Investors Corp. and Whitehall Fund, Inc., as Eastern Wholesale Manager. He will cover New York City and surrounding area and the States of New Jersey, Pennsylvania, West Virginia, Delaware, Maryland, Washington, D. C., Virginia, Kentucky and Tennessee.

Mr. Voorhis became a partner of Kalb, Voorhis & Co. of New York City in 1946 and prior to that time was a partner of Adolph Lewisohn & Sons.

Continued from first page

The Disastrous Middle Of the Road Policy

Diverse Political Conclusions

But, of course, the practical political conclusions which people drew from this dogma were not uniform. One group declared that there is but one way to wipe out these evils, namely to abolish capitalism entirely. They advocate the substitution of public control of the means of production for private control. They aim at the establishment of what is called socialism, communism, planning, or state capitalism. All these terms signify the same thing. No longer should the consumers, by their buying and abstention from buying, determine what should be produced, in what quantity and of what quality. Henceforth a central authority alone should direct all production activities.

A Less Radical Group

A second group seems to be less radical. They reject socialism no less than capitalism. They recommend a third system, which, as they say, is as far from capitalism as it is from socialism, which, as a third system of society's economic organization, stands midway between the two other systems, and while retaining the advantages of both, avoids the disadvantages inherent in each. This third system is known as the system of interventionism. In the terminology of American politics, it is often referred to as the middle-of-the-road policy.

What makes this third system popular with many people is the particular way they choose to look upon the problems involved. As they see it, two classes, the capitalists and entrepreneurs on the one hand and the wage earners on the other hand, are arguing about the distribution of the yield of capital and entrepreneurial activities. Both parties are claiming the whole cake for themselves. Now, suggest these mediators, let us make peace by splitting the disputed value equally between the two classes. The State as an impartial arbiter should interfere, should curb the greed of the capitalists and assign a part of the profits to the working classes. Thus it will be possible to dethrone the moloch capitalism without enthroning the moloch of totalitarian socialism.

Yet this mode of judging the issue is entirely fallacious. The antagonism between capitalism and socialism is not a dispute about the distribution of booty. It is a controversy about which of two schemes for society's economic organization, capitalism or socialism, is conducive to the better attainment of those ends which all people consider as the ultimate aim of activities commonly called economic, viz., the best possible supply of useful commodities and services. Capitalism wants to attain these ends by private enterprise and initiative, subject to the supremacy of the public's buying and abstention from buying on the market. The socialists want to substitute the unique plan of a central authority for the plans of the various individuals. They want to put in place of what Marx called the "anarchy of production" the exclusive monopoly of the government. The antagonism does not refer to the mode of distributing a fixed amount of anemities. It refers to the mode of producing all those goods which people want to enjoy.

Irreconcilables

The conflict of the two principles is irreconcilable and does not allow of any compromise. Control is indivisible. Either the consumers' demand as manifested on the market decides for what purposes and how the factors of production should be employed, or the government takes care of these matters. There is nothing that could mitigate the opposition between these two contradictory principles. They preclude each other.

Interventionism is not a golden mean between capitalism and socialism. It is the design of a third system of society's economic organization and must be appreciated as such.

It is not the task of this discussion to raise any questions about the merits either of capitalism or of socialism. I am dealing today with interventionism alone. And I do not intend to enter into an arbitrary evaluation of interventionism from any preconceived point of view. My only concern is to show how interventionism works and whether or not it can be considered as a pattern of a permanent system of society's economic organization.

The interventionists emphasize that they plan to retain private ownership of the means of production, entrepreneurship and market exchange. But, they go on to say, it is preemptory to prevent these capitalist institutions from spreading havoc and unfairly exploiting the majority of people. It is the duty of government to restrain by orders and prohibitions, the greed of the propertied classes lest their acquisitiveness harm the poorer classes. Unhampered or *laissez-faire* capitalism is an evil. But in order to eliminate its evils, there is no need to abolish capitalism entirely. It is possible to improve the capitalist system by government interference with the actions of the capitalists and entrepreneurs. Such government regulation and regimentation of business is the only method to keep off totalitarian socialism and to salvage those features of capitalism which are worth preserving.

On the ground of this philosophy, the interventionsits advocate a galaxy of various measures. Let us pick out one of them, the very popular scheme of price control.

The government believes that the price of a definite commodity, e.g., milk, is too high. It wants to make it possible for the poor to give their children more milk. Thus it resorts to a price ceiling and fixes the price of milk at a lower rate than that prevailing on the free market. The result is that the marginal producers of milk, those producing at the highest cost, now incur losses. As no individual farmer or businessman can go on producing at a loss, these marginal producers stop producing and selling milk on the market. They will use their cows and their skill for other more profitable purposes. They will, for example, produce butter, cheese or meat. There will be less milk available for the consumers, not more. This, of course, is contrary to the intentions of the government. It wanted to make it easier for some people to buy more milk. But, as an outcome of its interference, the supply available drops. The measure proves abortive from the very point of view of the government and the groups it was eager to favor. It brings about a state of affairs, which — again from the point of view of the government —is even less desirable than the previous state of affairs which it was designed to improve.

The Necessary Chain of Controls

Now, the government is faced with an alternative. It can abrogate its decree and refrain from any further endeavors to control the price of milk. But if it insists upon its intention to keep the price of milk below the rate the unhampered market would have determined and wants nonetheless to avoid a drop in the supply of milk, it must try to eliminate the causes that render the marginal producers' business unremunerative. It must add to the first decree concerning only the price of milk a second decree fixing the prices of the factors of production necessary for the production of milk at such a low rate that the marginal producers of milk will no longer suffer losses and will, therefore, abstain from restricting output. But then the same story repeats itself on a remoter plane. The supply of the factors of production required for the production of milk drops, and again the government is back where it started. If it does not want to admit defeat and to abstain from any meddling with prices, it must push further and fix the prices of those factors of production which are needed for the production of the factors necessary for the production of milk. Thus the government is forced to go further and further, fixing step by step the prices of all consumers' goods and of all factors of production—both human, i.e. labor, and material—and to order every enterpreneur and every worker to continue to work at these prices and wages. No branch of industry can be omitted from this all-round fixing of prices and wages and from this obligation to produce those quantities which the government wants to see produced. If some branches were to be left free out of regard for the fact that they produce only goods qualified as non-vital or even as luxuries, capital and labor would tend to flow into them and the result would be a drop in the supply of those goods the prices of which the government has fixed precisely because it considers them as indispensable for the satisfaction of the needs of the masses.

End of a Market Economy

But when this state of all-round control of business is attained, there can no longer be any question of a market economy. No longer do the citizens by their buying and abstention from buying determine what should be produced and how. The power to decide these matters has devolved upon the government. This is no longer capitalism; it is all-round planning by the government, it is socialism.

It is, of course, true that this type of socialism preserves some of the labels and the outward appearaance of capitalism. It maintains, **seemingly and nominally**, private ownership of the means of production, prices, wages, interest rates and profits. In fact, however, nothing counts but the government's unrestricted autocracy. The government tells the enterpreneurs and capitalists what to produce and in what quantity and quality, at what prices to buy and from whom, at what prices to sell and to whom. It decrees at what wages and where the workers must work. Market exchange is but a sham. All the prices, wages and interest rates are determined by the authority. They are prices, wages and interest rates in appearance only; in fact they are merely quantity relations in the government's orders. The government, not the consumers, directs production. The government determines each citizen's income, it assigns to everybody the position in which he has to work. This is socialism in the outward guise of capitalism. It is the *Zwangswirtschaft* of the German Reich and the planned economy of Great Britain.

Foreign Precedents

For the scheme of social transformation which I have depicted is not merely a theoretical construction. It is a realistic portrayal of the succession of events that brought about socialism in Germany, in Great Britain and in some other countries.

The Germans, in the First World War, began with price ceilings for a small group of consumers' goods considered as vital necessities. It was the inevitable failure of these measures that impelled them to go further and further until, in the second period of the war, they designed the **Hindenburg plan.** In the context of the Hindenburg plan no room whatever was left for a free choice on the part of the consumers and for initiative action on the part of business. All economic activities were unconditionally subordinated to the exclusive jurisdiction of the authorities. The total defeat of the Kaiser swept the whole imperial apparatus of administration away and with it went also the grandiose plan. But when in 1931 the Chancellor Bruning embarked anew on a policy of price control and his successors, first of all Hitler, obstinately clung to it, the same story repeated itself.

Great Britain and all the other countries which in the first World War adopted measures of price control, had to experience the same failure. They too were pushed further and further in their attempts to make the initial decrees work. But they were still at a rudimentary stage of this development when the victory and the opposition of the public brushed away all schemes for controlling prices.

It was different in the second World War. Then Great Britain again resorted to price ceilings for a few vital commodities and had to run the whole gamut, proceeding further and further until it had substituted all-round planning of the country's whole economy for economic freedom. When the war came to an end, Great Britain was a socialist commonwealth.

Socialism A Churchillian Achievement

It is noteworthy to remember that British socialism is not an achievement of Mr. Attlee's Labor Government, but of the cabinet of Mr. Winston Churchill. What the Labor Party did was not the establishment of socialism in a free country, but retaining socialism as it had developed during the war in the postwar period. The fact has been obscured by the great sensation made about the nationalization of the Bank of England, the coal mines and other branches of business. However, Great Britain is to be called a socialist country not because certain enterprises have been formally expropriated and nationalized, but because all the economic activities of all citizens are subject to full control of the government and its agencies. The authorities direct the allocation of capital and of manpower to the various branches of business. They determine what should be produced, and they assign to each consumer a definite ration. Supremacy in all busines activities is exclusively vested in the government. The people are reduced to the status of wards, unconditionally bound to obey orders. To the businessmen, the former entrepreneurs, merely auxilliary functions are left. All that they are free to do is to carry into effect, within a neatly circumscribed narrow field, the decisions of the government departments.

What we have to realize is that price ceilings affecting only a few commodities fail to attain the ends sought. On the contrary, they produce effects which from the point of view of the government are even worse than the previous state of affairs which the government wanted to alter. If the government, in order to eliminate these inevitable but unwelcome consequences, pursues its course further and further, it finally transforms the system of capitalism and free enterprise into socialism of the Hindenburg pattern.

The same is true of all other types of meddling with the market phenomena. Minimum wage rates, whether decreed and enforced by the government or by labor union pressure and violence, result in mass unemployment prolonged year after year as soon as they try to raise wage rates above the height of the unhampered market. The attempts to lower interest rates by credit expansion generate, it is true, a period of booming business. But the prosperity thus created is only an artificial hot-house product and must inexorably lead to the slump and to the depression. People must pay heavily for the easy-money orgy of a few years of credit expansion and inflation.

The recurrence of periods of depression and mass unemployment has discredited capitalism in the opinion of injudicious people. Yet these events are not the outcome of the operation of the free market. They are on the contrary the result of well-intentioned but ill-advised government interference with the market. There are no means by which the height of wage rates and the general standard of living can be raised other than by accelerating the increase of capital as compared with population. The only means to raise wage rates permanently for all those seeking jobs and eager to earn wages is to raise the productivity of the industrial effort by increasing the perhead quota of capital invested. What makes American wage rates by far exceed the wage rates of Europe and Asia is the fact that the American worker's toil and trouble is aided by more and better tools. All that good government can do to improve the material well-being of the people is to establish and to preserve an institutional order in which there are no obstacles to the progressing accumulation of new capital, required for the improvement of technological methods of production. This is what capitalism did achieve in the past and will achieve in the future too if not sabotaged by a bad policy.

Differs From Communism Only In Tactics

Interventionism cannot be considered as an economic system destined to stay. It is a method for the transformation of capitalism into socialism by a series of successive steps. It is as such different from the endeavors of the communists to bring about socialism at one stroke. The difference does not refer to the ultimate end of the political movement; it refers mainly to the tactics to be resorted to for the attainment of an end that both groups are aiming at.

Karl Marx and Frederick Engels recommended successively each of these two ways for the realization of socialism. In 1848, in the Communist Manifesto, they outlined a plan for the step-by-step transformation of capitalism into socialism. The proleteriat should be raised to the position of the ruling class and use its political supremacy "to wrest, by degrees, all capital from the bourgeoisie." This, they declare, "cannot be effected except by means of despotic inroads on the rights of property and on the conditions of bourgeois production; by means of measures, therefore, which appear economically insufficient and untenable, but which in the course of the movement outstrip themselves, necessitate further inroads upon the old social order, and are unavoidable as a means of entirely revolutionizing the mode of production." In this vein they

enumerate by way of example 10 measures.

Marx-Engels' Change of Mind

In later years Marx and Engels changed their minds. In his main treatise, "Das Capital," first published in 1867, Marx saw things in a different way. Socialism is bound to come "with the inexorability of a law of nature." But it cannot appear before capitalism has reached its full maturity. There is but **one** road to the collapse of capitalism, namely the progressive evolution of capitalism itself. Then only will the great final revolt of the working class give it the finishing stroke and inaugurate the everlasting age of abundance.

Marxists Reactionary

From the point of view of this later doctrine Marx and the school of orthodox Marxism reject all policies that pretend to restrain, to regulate and to improve capitalism. Such policies, they declare, are not only futile, but outright harmful. For they rather delay the coming of age of capitalism, its maturity, and thereby also its collapse. They are therefore not progressive, but reactionary. It was this idea that led the German Social Democratic party to vote against Bismarck's social security legislation and to frustrate Bismarck's plan to nationalize the German tobacco industry. From the point of view of the same doctrine, the communists branded the American New Deal as a reactionary plot extremely detrimental to the true interests of the working people.

What we must realize is that the antagonism between the interventionists and the communists is a manifestation of the conflict between the two doctrines of the early Marxism and of the late Marxism. It is the conflict between the Marx of 1848, the author of the Communist Manifesto, and the Marx of 1867, the author of Das Capital. And it is paradoxical indeed that the document in which Marx endorsed the policies of the present day self-styled anti-communists is called the Communist Manifesto.

There are two methods available for the transformation of capitalism into socialism. One is to expropriate all farms, plants and shops and to operate them by a bureaucratic apparatus as departments of the government. The whole of society, says Lenin, becomes "one office and one factory, with equal work and equal pay"[1], the whole economy will be organized "like the postal system"[2]. The second method is the method of the Hindenburg plan, the original German pattern of the welfare state and of planning. It forces every firm and every individual to comply strictly with the orders issued by the government's central board of production management. Such was the intention of the National Industrial Recovery Act of 1933 which the resistance of business frustrated and the Supreme Court declared unconstitutional. Such is the idea implied in the endeavors to substitute planning for private enterprise.

The Second Type of Socialism

The foremost vehicle for the realization of the second type of socialism is, in industrial countries like Germany and Great Britain, foreign exchange control. These countries cannot feed and clothe their people out of domestic resources. They must import large quantities of food and raw materials. In order to pay for these badly needed imports, they must export manufactures, most of them produced out of imported raw material. In such countries almost every business transaction directly or indirectly is conditioned either by exporting or importing, or by both exporting and importing. Hence the government's monopoly of buying and selling foreign exchange makes every kind of business activity depend on the discretion of the agency entrusted with foreign exchange control. In this country matters are different. The volume of foreign trade is rather small when compared with the total volume of the nation's trade. Foreign exchange control would only slightly affect the much greater part of American business. This is the reason why in the schemes of our planners there is hardly any question of foreign exchange control. Their pursuits are directed toward the control of prices, wages and interest rates, toward the control of investment and the limitation of profits and incomes.

Evolution of Tax Rates

Looking backward on the evolution of income tax rates from the beginning of the Federal income tax in 1913 until the present day, one can hardly expect that the tax will not one day absorb 100% of all surplus above the income of the average voter. In Great Britain the normal income tax plus the special tax on investment income runs in the higher income brackets well over 100% of the total income. It is this that Marx and Engels had in mind when in the Communist Manifesto they recommended "a heavy progressive or graduated income tax."

Another of the suggestions of the Communist Manifesto was "abolition of all right of inheritance." Now, neither in Great Britain nor in this country have the laws gone up to this point. But again, looking backward upon the past history of the estate taxes, we have to realize that they more and more have approached the goal set by Marx. Estate taxes of the height they have already attained for the upper brackets are no longer to be qualified as taxes. They are measures of expropriation.

The philosophy underlying the system of progressive taxation is that the income and the wealth of the well-to-do classes can be freely tapped. What the advocates of these tax rates fail to realize is that the greater part of the incomes taxed away would not have been consumed but saved and invested. In fact, this fiscal policy does not only prevent the further accumulation of new capital. It brings about capital decumulation. This is certainly today the state of affairs in Great Britain.

Our Following of the British and German Pattern

The course of events in the past thirty years shows a continuous, although sometimes interrupted progress toward the establishment in this country of socialism of the British and German pattern. The U. S. embarked later than these two other countries upon this decline and is today still farther away from its end. But if the trend of this policy will not change, the final result will only in accidental and negligible points differ from what happened in the England of Attlee and in the Germany of Hitler. The middle-of-the-road policy is not an economic system that can last. It is a method for the realization of socialism by instalments.

Loopholes for Capitalism

Many people object. They stress the fact that most of the laws which aim at planning or at expropriation by means of progressive taxation have left some loopholes which offer to private enterprise a margin within which it can go on. That such loopholes still exist and that thanks to them this country is still a free country is certainly true. But this loophole capitalism is not a lasting system. It is a respite. Powerful forces are at work to close these loopholes. From day to day the field in which private enterprise is free to operate is narrowed down.

Of course, this outcome is not inevitable. The trend can be reversed as was the case with many other trends in history. The Marxian dogma according to which socialism is bound to come "with the inexorability of a law of nature" is just an arbitrary surmise devoid of any proof. But the prestige which this vain prognostic enjoys not only with the Marxians, but with many self-styled non-Marxians, is the main instrument of the progress of socialism. It spreads defeatism among those who otherwise would gallantly fight the socialist menace. The most powerful ally of Soviet Russia is the doctrine that the "wave of the future" carries us toward socialism and that it is therefore "progressive" to sympathize with all measures that restrict more and more the operation of the market economy.

Even in this country, which owes to a century of "rugged individualism" the highest standard of living ever attained by any nation, public opinion condemns *laissez-faire*. In the last 50 years thousands of books have been published to indict capitalism and to advocate radical interventionism, the welfare state and socialism. The few books which tried to explain adequately the working of the free market economy were hardly noticed by the public. Their authors remained obscure, while such authors as Veblen, Commons, John Dewey and Laski were exuberantly praised. It is a well-known fact that the legitimate stage as well as the Hollywood industry are no less radically critical of free enterprise than are many novels. There are in this country many periodicals which in every issue furiously attack economic freedom. There is hardly any magazine of opinion that would plead for the system that supplied the immense majority of the people with good food and shelter, with cars, refrigerators, radio sets and other things which the subjects of other countries call luxuries.

Little Done for Enterprise

The impact of this state of affairs is that practically very little is done to preserve the system of private enterprise. There are only middle-of-the-roaders who think they have been successful when they have delayed for some time an especially radical measure. They are always in retreat. They put up today with measures which only 10 or 20 years ago they would have considered as undiscussable. They will in a few years acquiesce in other measures which they today consider as simply out of the question.

What can prevent the coming of totalitarian socialism is only a thorough change in ideologies. What we need is neither anti-socialism nor anti-communism but an open positive endorsement of that system to which we owe all the wealth that distinguishes our age from the comparatively straitened conditions of ages gone by.

1 Cf. Lenin, *State and Revolution* (Little Lenin Library No. 14, New York 1932) p. 84.
2 Ibidem p. 44.

Dreyfuss to Redesign Plaza Persian Room

Conrad N. Hilton, President of the Hilton Hotels Corporation, has announced that Henry Dreyfuss, the famous industrial designer, has been retained to develop a new design for the celebrated Persian Room of The Plaza.

Dreyfuss, internationally known for his creation of new standards of luxury travel in ships, trains and planes, will execute the work during the coming summer months when the Persian Room is customarily closed.

Canadian Securities

By WILLIAM J. McKAY

The record of governmental control of the price-level of commodities is almost uniformly unenviable. Total disregard of the economic law of supply and demand has produced chaotic conditions in many markets, which in private hands were basically stable although subject to passing fluctuations. The operation of free markets provides incentive for the production of commodities which are in genuine demand; price-levels arbitrarily fixed by governmental edit invariably induces unwanted surpluses at the expense primarily of the taxpayer and eventually of the producer.

Perhaps the case which best demonstrates a purely arbitrary method of fixing a price-level is that of uranium. In this instance it would appear that no consideration whatsoever has been given to an appraisal based on true economic value. Before the war and prior to the discovery of the practical applications of atomic fission, pitchblende commanded a fantastic price based merely on its radium content. However the discovery at the outbreak of the war of important new deposits in the Great Bear North Lake region of the Canadian North West Provinces brought about a radical change in the situation. The Canadian Government by the exercise of wartime powers asserted its control over the production of uranium within the Dominion. As a result the Eldorado Mining and Refining Co., which was originally formed to develop the Great Bear Lake deposits, became the property of the Crown. From that time, at least as far as Canadian production of uranium is concerned, the Dominion Government became the sole arbiter of the price paid for this metal.

Until recently the official price of uranium-oxide was fixed at $2.75 per pound. Largely as a result of protests on the part of the Canadian Mining Association the Dominion authorities have established a new price formula whereby a maximum of $6 per lb. is now obtainable for oxide concentrates grading 10% This constructive step has been almost immediately instrumental in causing a revival of activity among prospectors for uranium, who under the previous formula, were inclined to abandon their efforts in favor of more lucrative prospects in the shape of gold and base-metals. As a result there is now a new access of enthusiasm concerning the prospects of the newly discovered pitchblende deposits in the Goldfields and Black Lake districts of Northern Saskatchewan. The crown-owned Eldorado Mining and Refining Co., is active in this area which appears to be the most promising outside of the rich Great Bear Lake properties. Among the private companies interested in this district is Nicholson Mines whose Goldfields properties promise to challenge the Eldorado Mining Refining Co., as the leading producer of uranium in Canada. These new discoveries are all the more important as the distance from rail-head is considerably less than that of the remote Great Bear Lake mines.

Although prospecting for uranium in Canada has received a desirable, although belated stimulus, it is interesting to conjecture how this phase of mining would have fared if it had been left to the free play of economic forces. The commercial value in the field of medicine alone of the various uranium isotopes is almost incalculable; it is only necessary to consider the market value of radium and its relatively restricted scope in order to form a basis of appraisal. But when it is borne in mind that knowledge of the extraordinary properties of this metal have placed the world on the threshold of a new age, the current valuation placed on this raw vital metal appears almost incredible. On the other hand it is less difficult to understand the reckless dissipation of lives and labor in ruthless efforts to uncover uranium deposits on the other side of the Iron Curtain.

It is encouraging, however, to note that not only has Canada made a first small step in the right direction, but the United Kingdom has also recently indicated its recognition of the necessity to provide greater incentive for private initiative in the field of uranium development. The British Government has just announced that it has disposed of its holdings of Tanganyika Concessions Ltd., to a private Anglo-Belgian syndicate. This group is negotiating with U. S. financial interests for the sale of approximately 50% of its new acquisition. Tananyika Concessions is a principal stockholder of the Belgian company, Union Miniere de Haut Katanga, whose Belgian Congo properties contain the richest uranium deposits in the world; the British company also controls the railroad over which the ore is transported. In view of these developments, therefore, it is reasonable to suppose that the way is now cleared for the establishment of a market price for uranium-oxide more in line with its economic, political, and military value.

During the week there was evidence of a greater supply of medium-term external bonds but the longer-term internals continued in demand in the neighborhood of 11%. Free funds eased slightly to 10% but the corporate-arbitrage rate strengthened fractionally to 15¼%-14¼%. There was little change in the recent irregular pattern of the stock markets but on the whole there was tendency to seek higher levels. The paper issues were actively traded on a rising market with Price Bros., particularly prominent on announcement of a proposed split. Base-metals were also firm and there was a large turnover in junior golds, notably Giant Yellowknife and Newlund.

Continued from page 3

Chief Fallacies of Lord Keynes

cern of business cycle theories. They tried to establish what determines demand and employment in equilibrium. By this they meant the level of demand and employment after the exaggerations of the cycle have disappeared and also all adjustments to structural changes have taken place.

Thus, what Keynes has really done by treating the classical "general" case as "special" and cyclical fluctuations as "general" is this: He has destroyed the tools of a general equilibrium analysis determining the level of demand and employment, so to speak, after adjustment for cyclical fluctuations and has so detracted attention from the most important employment variables under the pretext, quite out of place of course, that the equilibrium situation happens only exceptionally in the real world.

A Defective Demand Theory

The General Theory gives — a natural consequence of its being a generalized business cycle theory — an analysis in terms of effective demand or, somewhat more pointed, an inflation-deflation theory of employment. Employment fluctuates with the purchasing power seeking labor, and this again, according to the well-known formula, with the amount of money, the liquidity preference, the marginal propensity to consume and the marginal productivity of capital. This demand theory of employment contains substantial fallacies and, to use Keynes' words of critique against the classicists, "its teaching is misleading and disastrous if we attempt to apply it to the facts of experience." ("General Theory" page 3.)

The variables that, according to Keynes, lead to variations in effective demand—to inflation or deflation of purchasing power—do this only under the very special conditions of the cycle. The classical assumption of the equalization of investment and saving by movements of the interest rates is still correct in the aggregate of a cycle and the long run. Here variations in saving or investment do not lead to inflation or deflation. There is no reason to assume that money disappears permanently in what Jacob Viner called "deathtraps"—the central banks or private hoards—or that it can come out of them permanently, except where the deathtrap is kept deliberately wide open, for instance in order to facilitate financing governmental expenditures or private investments at inflationary low interest rates, or in other pathological rather than physiological situations.

Where, on the other hand, inflations and deflations occur in reality, as during typical business cycles, the responsible variables cannot be summarized by such crude concepts as the marginal propensity to consume and the marginal productivity of capital. These concepts do not distinguish between: on the one hand, a decline in the propensity to consume by increase in saving and a decline of the marginal productivity of capital through declining technical profitability; and, on the other hand, the cyclical postponing of buying, which I myself like to call "waiting." In other words, the Keynesian formula is deficient also as a business cycle theory.

Lack of time unfortunately prevents my proving these statements in detail. I am forced to refer to my book "The Economics of Illusion" and especially its chapter "The Investment Gap."

Demand and Employment

Analyzing the utilization of resources, and especially of labor, by a one-sided emphasis of the demand side is logically nonsensical and historically a serious retrogression to the times before Marshall, who showed that the supply schedule is as important a factor in determining prices and salable quantities as the demand schedule. It leads to the fatal identification of fluctuations of demand, especially for investments on the one hand and employment on the other, which is indeed the cornerstone of the whole approach, but which is untenable, except for very special situations. In general, changes in investment are neither necessary nor sufficient to create changes in employment. Employment may remain unchanged in spite of fluctuations in investment, and may fluctuate in spite of stability of investment.

The one-sided demand theory of employment, while logically untenable, becomes technically workable by introducing two assumptions: First, that autonomous movements of the supply curve of labor do not happen in the general case; and second, that the labor supply curve—the money wage demand—remains stable or moves upward only with a substantial time lag even if the price level rises and real wages decline. In Keynes' words: "it is not the workers' practice to withdraw their labor whenever there is a rise in the wage goods."[1] In this case indeed, again in his words: "it will be possible to increase employment by increasing expenditures in terms of money."[2] For in this case "the decreasing return from applying more labor to a given capital equipment has been offset by the acquiescence of labor in a diminishing real wage."[3] Or, in other words, a rising demand curve for labor, originating in a rise in the prices of products, uncovers employment opportunities at the margin not present if the supply curve of labor moved up with prices.

Wages during the dynamic process of the business cycle follow price movements only with a lag. This was very well known to the neo-classicists. They have explained the fluctuations in employment during the cycle by this lag.

However, neo-classicists knew, as did the classicists — Ricardo, Smith, Mill and most clearly David Hume—that the phenomenon of increased employment in inflationary periods is a temporary one. As has been described in innumerable books and essays, and even in dramas—see Faust, second part, — inflation leads at first to high employment, even over-employment, but this inflation-created prosperity breaks down sooner or later because wages rise with inflation, as do all other costs, except those paid out to money lenders and some other defenseless groups. Contrary to this, Keynes claims seriously that in the general case "the supply of labor is not a function of real wages."[4]

Never, I think, has such an unrealistic statement been made in a more high-handed, not to say cynical, way. It rests on the assumption that labor is blinded, and more so than the enterpreneur, by what Irving Fisher called "the money illusion." As this assumption is the cornerstone of Keynes' whole employment theory, I have called my critique of the "General Theory" "The Economics of Illusion."

It may be conceded that when an economy comes out of a deep depression, as it did in 1932, labor does not immediately claim wage adjustments to the declining purchasing power of money because real wages — prevented through rigidities from adjustment to lower prices—have risen. It may also be conceded that for a relatively short period prices do not rise because marginal costs decline through utilization of formerly under-utilized equipment. However, to assume that the supply of labor remains stable for any length of time, even in view of rising general price level, and calling such a situation an equilibrium, even only short run, is indeed original but really also quite ridiculous. The truth is of course that in general labor does not only claim and receive its full compensation for declining real wages by higher money wages, but also frequently succeeds in shifting the labor supply curve autonomously upwards; strikes, incidentally, mean an infinitely high labor supply curve. Thus in the last five postwar years the demand curve seems to have been more stable than the supply curve. This alone would suggest that an analysis in terms only of demand must prove highly unsatisfactory for modern employment problems.

The fact is that wages have become, on the upside, extremely flexible, not to say over-flexible. That they have become inflexible downwards can, unfortunately, not be denied. The downward rigidity explains why adjustment processes after depressions have become so difficult. But to conclude from this that only the demand and no longer the supply situation of labor determines employment is, as I said already in my first Keynes critique in 1936, to flee from the dangerous consequences of monopolistically supported wages into the fool's paradise of an objectionable inflation theory of employment.

Summarizing, we can only repeat what has been said against all inflation theories of employment through history, namely that an increase in the aggregate demand exhausts itself, except during certain phases of the cycle, in price and not in employment inflation.

Full Employment and Full Production Policy Without Wage Policy

The one-sided concentration of attention on the demand side and the neglect of the supply side of labor, characteristic of Keynesianism, has by necessity created an atmosphere in which every wage increase and every government expenditure is considered as favorable to production and employment. One gets the impression that production is only dependent on the propensity to consume and no longer on the propensity to work. It seems to be forgotten that the wealth of nations is dependent on the amount and productivity of the work done, as common sense suggests. Otherwise, it could not be: that goals of national income, obviously neaning national production, are fixed without any consideration for the question of how much the population is willing to work at various wage levels; that the goals are to be exclusively achieved by creation of demand; that full employment is guaranteed by governments that do not control the supply curve of labor. I know that all this is considered as impressive progress. I myself can only consider it as a demoralization of public opinion, and the economics that necessarily lead to it as an "Economics of Demoralization."

Without being able to criticize the prevailing Keynesian full employment policy in detail, I would like to stress the following points:

(a) The concept of full employment is very crude. A part of the population is always unemployed because it does not wish to work at the prevailing wage rate. To what limit should these people, who are "voluntarily unemployed" in Keynes' sense, be forced into employment? Obviously the limit would be fixed quite differently in the United States from how it would be in Russia. But however fixed, it is clear that the decision is arbitrary and that the concept of full employment as such does not say anything about the desired size of employment.

(b) However the goal of a full employment policy is defined, it is clear that—given a certain productivity of labor and the resulting demand function—the goal of a certain amount of employment can only be achieved if the wage level is fixed in such a way that wages coincide with the productivity of the last worker one wishes to be employed. This is the market price for labor at which no unemployment can exist provided free competition prevails.

(c) Contrary to this, the claims to full employment are generally raised without even questioning at which wage level it is to be achieved. This is, for instance, the case in the Full Employment Act of 1946 and was almost universally the case in the wartime literature on postwar employment.

Sometimes we find the notion that everybody should be able to work at the prevailing wage rate. But the prevailing wage rate is almost never the market price for labor, but the wage rate that is enforced by monopolistic action of the labor unions. If they advance wages quicker than the productivity of labor increases, unemployment in the marginal enterprises will develop. The longer run consequences will be a very undesirable concentration process in industry, or inflation if the money supply is perfectly elastic at a very low level, as it is nowadays in this country.

Finally, I have found in a recently published text book, proud of its modernity, the statement that everybody has to be employed at "fair wages." This is a very interesting but clear relapse into the thinking of the Middle Ages, where the marginal productivity principle was not known and prices as well as wages were fixed according to some concept of justice. In a free market economy there can only be one "fair" price for any production factor—the price where supply and demand equalize—the market price.

(d) Unemployment can of course develop not only because the supply curve is raised by autonomous action of the individual worker, by unions or by minimum wage laws which, incidentally, would still leave the economy in "full employment" in the strict Keynesian sense: Unemployment can also be created through a declining demand curve, as is the case in cyclical depressions. This is Keynes' "involuntary unemployment." In this case Keynesians not only oppose the downward adjustment of wages to prices, but even sometimes propose wage increases to support demand. The latter is of course purchasing power theory in its most primitive form which formerly was opposed also by scientists very friendly to labor.

I think that this whole approach rests on a confusion of stabilization of prices on the one hand, and of wages on the other. One can, of course, decide that it is better to raise prices than to lower wages provided wages do not move up simultaneously, and provided the higher price level can be maintained, which is not at all certain. But whatever price level one chooses to hold, wages will have to be adjusted to it. Wage raising as such will always to be the most stupid way of supporting demand because it always raises costs more than prices. For it would be highly unrealistic to assume, as is sometimes done, that price inflation through shifts of income from the few (saving) entrepreneurs to the masses of (spending) workers could compensate for the inflation of wages of the masses of workers.

Demand Support by Government Spending

Can and should high demand as a means of insuring high employment and production be created by government spending? Here Keynesian views differ most from the traditional and here they will, I am afraid, lead to the greatest disappointments.

The traditional view differs from the Keynesian, first, in that it never suggests that structural or stabilized unemployment should be corrected at all by influencing the demand side.

This seems to be a very important point just now. At the moment we have about 5 million workers not absorbed in the production process. This cannot be "involuntary unemployment" created through a declining demand for consumption or capital goods. The whole environment of our economy is at this moment by no means deflationary, but neutral—if not still slightly inflationary. So the nonabsorption of the growing labor force has no cyclical reasons. The unemployment is structural in character. Labor has priced itself out of the market, as the businessman says, for an amount corresponding to the increase in the labor force. The entrepreneurs invest sufficiently, but generally they invest in order to save not to employ labor, which has become relatively too expensive and is substituted by the relatively cheaper capital. An examination of the reports of leading industrial concerns will confirm this. The situation reminds me very much of Germany from 1927 to 1929 when unemployment grew in spite of the boom and had reached 20% of the labor force before the depression even set in.

Keynesians and Keyserlings

I am very much afraid that the Keynesians—or should I say in fairness to Keynes, the super-Keynesians or Keyserlings—will have their way: The nonabsorption of labor now experienced will be fought by artificial creation of demand, and wages, instead of being lowered, will even be pushed up. According to Keynes' own theory additional demand creates employment only through the mechanism of real wage lowering. One can easily imagine the race that will develop between inflationary spending and wage rises to compensate for the real wage lowering that is supposed to increase employment. The question is not whether, but only when the credit of the State and/or the value of the currency, already slowly abased, will break down if this sort of policy, which is charlatanry by all previous standards, is allowed to continue in the long run.

Second, the traditional economists have not the ambition to maintain the high demand level of the boom and, by this, full employment. Their idea was: every boom is followed by a depression during which the excesses of the boom have to be corrected and liquidated; the price level is bound to fall. Interference by interest rate manipulation or deficit spending can prevent the price level from falling too far below an "average" level, but never maintain it at boom level for any length of time.

The Keynesian full employment policy is more ambitious. It does not aim at restoring but at maintaining full employment. This ambition is of course somewhat involuntary, for in his system full employment cannot be restored

---

1 "General Theory" page 9.
2 "General Theory" page 287.
3 "General Theory" page 289.
4 "General Theory" page 8.

through wage adjustments. It can only be *maintained* through price and demand support. Wages cannot be lowered, in view of labor's resistance to the lowering of money wages, and in view of an allegedly threatening "oversaving deflation" which would overcompensate the effects of the lowering of wages. There is only one way out: inflation or reflation by manipulating the interest rate downward and by government spending.

The creation of purchasing power by government spending during and especially at the depth of a depression, is a very old device inasmuch as it aims at preventing the so-called secondary deflations. This device was recommended in every European text book on finance. "Functional finance," nowadays publicized as a new invention, is as such unobjectionable but not new. **But insofar as "functional finance" aims at maintaining the boom level of demand and preventing any liquidation of the boom because "one never knows how far such a liquidation may go," "functional finance" is indeed a nontraditional proposal but, in my opinion, very objectionable.** Some of my objections follow:

(1) In theory it might seem possible to support any level of demand and of prices by government spending. But anyone who has ever participated in endeavors to support markets—of commodities as well as stocks—against the natural tendencies of an overbought situation, will fear that such endeavors will fail. It is just not possible — not even for the State—to go against the tide as long as the economy is still essentially a free market economy where millions of entrepreneurs and consumers, and not a State-capitalistic monopolist, decide on spending, and as long as infinite government spending to protract the boom has not socialized the economy completely.

(2) In order to influence the business cycle by government spending the cyclical developments have to be forecast. For the spending has to be started before the depression and it has to be stopped before the boom becomes excessive. This means that government business cycle forecasters have to do better than the majority of entrepreneurs. There is, however, not the slightest reason to expect this. On the contrary, experience shows that government agencies are poorer forecasters than private entrepreneurs. Compare the forecasts of a postwar depression which prevented an early fight of the postwar boom, and the forecast of a further commodity price inflation in 1948 by the President and his advisers, just a week before the postwar commodity boom definitely broke.

(3) Whereas theory assumes that the means for government spending can, more or less, come out of the air, entrepreneurs do not think so. They know that at the end somebody has to foot the bill by increased taxes, either immediately or later. Therefore what I have called "compensating reactions to compensatory spending" will set in and lead to a decline in private investment. So the system can only work as long as everybody thinks that not he but the other fellow has to pay. During the war the system worked. But think what would have happened if everybody had been convinced that 100% of war profits would be taken away later on. Nobody would have expanded production. Fortunately, during the war nobody seemed to see that war bonds in which, generally speaking, profits accumulated, are not assets, viewed from the point of view of the community as a whole. They are owed not only *to* but also *by* ourselves.

(4) By a peculiar lack of sense of proportion one does not seem to realize that **even substantial government deficit spending, of say $20 billion, represents only a minor proportion of the spending of the private consumer and investor whose spending decisions are in the magnitude of well over $200 billion. As these spending** decisions are highly influenced by tax considerations, the absolute size of the deficit is less decisive in fighting depressions than the share that burdens the entrepreneurs. **But a policy which is obsessed by the idea of creating demand artificially through government spending will forcibly neglect the importance of the natural creation of demand by planning through private entrepreneurs and consumers.**

(5) Keynesians would of course reply that it is the indirect effect of government spending which is important. Referring to the so-called multiplier, they argue that every billion spent by the government creates a multiple of this amount in effective demand. Now the multiplier concept is, in my opinion, one of the most crude and misleading of the whole Keynesian arsenal. The multiplier—if it does not only repeat the truism that people spend if and as long as they do not save—assumes that government spending of say $1 billion will, in subsequent production periods, lead to private spending of fixed amounts in subsequent periods so that when all is over a multiple of $1 billion would have been added to the aggregate demand.

With the seeming exactitude characteristic of contemporary economics, it has been calculated how big the multiplier would be under various assumptions. It has even been calculated how strong would be the demand if the working of the multiplier were combined with the working of the so-called acceleration principle. In reality all these calculations, seemingly giving such an exact picture of what would happen, are purely speculative and have not the slightest value in explaining, picturing and forecasting real life in a free economy. For there is no such thing as a multiplier showing, according to a stable propensity to consume or to invest, the probable indirect effects of government spending. In reality life begins, so to speak, again every morning. In every production period all, not just one or two, variables change, as the timeless Keynesian circular analysis suggests, in contrast to the neo-classical sequence analysis—this circular analysis in which the savings of Tuesday influence the production decisions of the previous Monday. Whether a storekeeper who has sold out his stock of shoes to those employed in public works will replenish his stock; whether the shoe producer begins or speeds up production, is dependent upon hundreds of considerations other than whether his inventory is cleared and he has received cash. It is dependent on cost calculations and price expectations and thus on the sum of all business conditions of the future. So the multiplier really does not give an answer but repeats only the question how entrepreneurs are going to react to government spending. In a very formal sense, *ex post*, the multiplier concept is correct, but materially, *ex ante*, it is worthless and dangerous because it detracts attention from the basic conditions determining the multiplying effect—in a depression the liquidation of the previous boom and adjustment of costs to prices. In an unadjusted economy the multiplier effect is zero, to use the Keynesian jargon.

Demand Analysis in the Future

If a theory lasts 20 years, we may already be nearing the close of a period of what I consider an unwarranted and one-sided swing of the pendulum; the following considerations, too, seem to point in this direction.

It is my experience, from a life time as a practical banker and theoretical economist, that a phenomenon in the realm of social life changes as soon as it is accepted as obvious by every businessman and is incorporated in text books as the undoubted truth. The knowledge of a phenomenon destroys the phenomenon. A boom collapses as soon as everybody thinks it will continue for ever; a depression universally expected does not happen. Does that not mean that we have to question whether fluctuations and therefore also deficiencies in demand will in future play the dominant role they played in the past?

I question this, not because I have any confidence in the ability of governments to forecast and influence the business cycle, especially not to do something as unpopular as the breaking of a boom. **I question it because the policy of the private entrepreneur may have become a stabilizing factor. Exceedingly business cycle conscious, he has learned to adopt an anti-cyclical policy which could turn out to be more important and effective than the basically pro-cyclical de-stabilizing policy of governments.**

Should this be the case, clearly an analysis in terms of effective supply would be more important than one in terms of effective demand. But there seems to exist something like a law, according to which economic theory lags behind factual developments; that text books, written rigidly according to one theory, are already outdated when they appear; that the dangers against which one tries to protect the economy are no longer the real dangers — that quite new ones are threatening. Economic theorists seem in the same position as generals who always prepare for the last instead of the next war.

The big dangers which Keynesian theory is not prepared to cope with are the distortions and maladjustments to which the supply side of our economy is exposed by monopolistic action of labor, of which less is spoken but which is much more dangerous than the actions of other monopolists. A free economy in which large sections claim the right to restrain the supply, no longer functions. If no self restraint in applying the monoplistic powers is exercised it will be destroyed; not, as the Marxians believe, by its inherent weakness, but by forces foreign to the system. It will be replaced by a system in which the state takes over the fixing of all prices and wages. And this is sure to come if economic theory persists in giving a totally one-sided explanation of the possible reasons for unemployment.

Banking Groups to Meet May 10-19

PHILADELPHIA, Pa. — The banking associations of Pennsylvania, New Jersey, Delaware and Maryland will meet during the period between May 10 and May 19. The Delaware group will meet in Wilmington May 11. The other three groups will meet in Atlantic City, New Jersey, May 10-12; Maryland, May 15-16, and Pennsylvania, May 17-19.

Norman T. Hayes, President Pennsylvania Bankers Assocaition, has announced that officers will put themselves "on the spot" and will invite questions and criticisms from the delegates. Harold E. Stassen, President of the University of Pennsylvania and nationally prominent Republican, will be the banquet speaker.

Public Utility Securities

By OWEN ELY

The New Iowa Utilities

Several new Iowa companies have recently made their debut to the investing public as the result of the break-up of United Light & Railways, the recapitalization plan of Sioux City Gas & Electric, etc.

Iowa-Illinois Gas & Electric (of the United Light "family") **is currently selling at 28 when delivered—range this year 30¾-27¼. 1949 earnings were $2.76. The stock is expected to pay $1.80 after it is distributed to stockholders of United Light & Railways, probably about June 1, thus returning a yield of 6.4%. The payout is about 67%. Earnings over the next year or so are expected by the management to work lower, though there is no indication that the dividend rate will be cut.**

President C. P. Conrad, in a recent talk before a group of analysts at the Lawyers Club, estimated that earnings might drop to $2.34 by 1951 because of (1) pending loss of revenues from former United Light affiliates, obtained under an old power-pooling arrangement; (2) a probable decline in farm prosperity from recent high levels; and (3) a corresponding drop in related industrial activities such as packing, farm implements, etc. However the Company's earnings should be benefited by an anticipated increase in gas sales when restrictions on house-heating are lifted. Mr. Conrad in his talk stressed the favorable centralized location for transit by air, rail, truck and water, of the four so-called "quad" cities served by the Company. The Aluminum Company of America has located its $70 million rolling mill in this area to benefit by cheap gas, and easy water transportation. Iowa farm lands are among the most prosperous in the country, and coal, oil and gas are available in neighboring areas.

The Company is earning a rather high rate of return on its estimated rate base but due to low fuel costs (through use of natural gas) its rates are also quite low. There is no state commission in Iowa, and the Illinois commission apparently considers its rates in that state to be reasonable. No financing this year appears likely; the company sold $10 million bonds last fall and the construction program is not very heavy, since capacity is quite adequate. The Company has a sound capital structure with an equity ratio of 49%, although book value works out at only $11.20. A book of statistical tables was made available to the analysts.

Iowa Power & Light is slightly smaller than Iowa-Illinois Gas & Electric, with revenues of $19 million. The stock of this Company will also be distributed to stockholders of United Light & Railways. It is currently selling around 22½ WD (range 23⅝-21¾). The stock earned about $1.69 in 1949, based on the number of shares to be outstanding when the stock is distributed. It is expected to pay a $1.40 dividend, making the payout rate 83% and the current yield 6.2%. However, the management of this company has taken an optimistic view of future prospects, and last year predicted earnings of $1.86 for the calendar year 1950 and $1.95 in 1951. The company has a good capital structure with a common stock equity ratio of 36% (33% after deducting intangibles) and book value of $11.35. Maintenance and depreciation are 17% of revenues, and the per cent of revenues carried down to common is 15%.

Iowa Public Service is virtually a new "name" although the company has been in existence for many years as a subsidiary of Sioux City Gas & Electric, which owned two-thirds of the common stock. The two companies have now been merged under the subsidiary's name. The stock is selling over-the-counter around 22½ and pays $1.20 to yield about 5.4%. This rather low yield is explained by the moderate payout of 53%, since the stock is earning about $2.25 which reflects a gain of 36% over the previous year. The price-earnings ratio is about 10 compared with 13 for Iowa Power & Light and 10.4 for Iowa-Illinois Gas & Electric. The equity ratio after deducting intangibles is 28% and the book value $12.15.

Iowa Southern Utilities is currently quoted over-the-counter around 18½ and pays $1.20 to yield 6.5%. The company's revenues approximate $8 million. Share earnings for 1949 were $2.37 vs. $1.72 the previous year. The dividend payout is therefore only about 51% and an increase in the rate might logically be anticipated.

Iowa Electric Light & Power Company has revenues of about $11 million. The company recently recapitalized, giving the old preferred stocks (with large arrears) new preferred on a share-for-share basis plus new common stock and cash, on a basis estimated to retire the old preferred at call prices plus arrears. The exchanges were to be underwritten by First Boston Corp. of New York and G. H. Walker & Company of St. Louis.

Iowa Electric Company has earnings of only about $3 million and the company is over-capitalized. There are substantial dividend arrears on the preferred stocks, although regular dividend rates were resumed in 1947.

Aubrey Lanston Opens New Boston Office

BOSTON, Mass. — Aubrey G. Lanston & Co. Inc. has opened a Boston office at 45 Milk Street, it was announced.

Curtis W. Childs has become Vice-President and Charles W. Gould, Assistant Vice-President of the organization and will be in charge of the new office. Mr. Childs was formerly Assistant Vice-President of The First National Bank of Boston and Mr. Gould was with the Hartford office of G. H. Walker & Co.

Robert Lee Hedges, Jr.

Robert Lee Hedges, Jr., partner in Paul Brown & Co. and a member of the New York Stock Exchange, died in Mountainside Hospital, Montclair, N. J., at the age of 54.

Oxley Retires

Dominion Securities Corp., 50 Exchange Place, New York City, announces the retirement of A. E. C. Oxley, effective as of May 1. Mr. Oxley was New England and Western Representative for Dominion Securities Corp.

Continued from page 7

Current Economic Developments

resent the strongest items in the government economic pattern, the businessman is forced by reality carefully to inspect the implications involved in the present enormously significant government action.

One may readily detect three quite obvious possible consequences of this new development and whichever he chose to favor would find many sound thinkers and respected people on his side. For instance, some think this the sure road to Socialism. Others feel that our instability will be accentuated by the inefficient, illogical and poorly-timed application of these economic instruments by governmental agencies. Still a third group exists which is highly optimistic and feels that we now know and are doing what should be done to guarantee not only relatively high stability, but also increasing prosperity for our people.

Briefly, the central theme of the new thinking is that at times our national income—or for the businessman, his sales volume—cannot be kept constant at the current price level without compensating for a certain amount of income not spent by income receivers. To some, the solution to the problem of stability once the culprit purchasing power has been identified is quite simple—let the Federal Government either spend enough credit-created money or induce others to credit-create and spend to make up the shortage of spending by income receivers. Then we will have no more serious unemployment and our national income level will remain high—even go to $300 billion or more. Just as simple as that!

On the other hand, there are those who feel that the problem of adjustment is a far more complex and delicate a task. This latter group—represented by such leaders as Dr. Edwin G. Nourse, past Chairman of the President's Council of Economic Advisers, feels that there are important related developments which must come at the same time. Government activity alone does not appear to be the whole answer. For instance, a fundamental requisite for success, in the opinion of this latter group, is the aid and whole-hearted cooperation of the business community. More specifically, intelligent tax and monetary action and provision for a greater mobility of important factors of production must fit the pattern of activity if reasonable success in efforts to maintain a rising national prosperity is to be achieved. It is important to note that I have purposely not phrased the last sentence to say "rising national income levels" for the reason, obvious to any successful businessmen, that increasing sales do not spell greater prosperity if net continues to decline. So it is with the average citizen, if pay checks increase, but will buy less, national income may rise, but the nation would not necessarily be more prosperous.

Our present national economic policy does not treat these numerous related factors directly. Practically no attention seems to be paid the national debt other than to keep it rising. Government spending and continued easy-money policy seem to be emphasized almost entirely. Overall policy is based on the assumption that the fundamental aim is to eliminate unemployment, that the way to do it is for the government to make money or credit easy to get and in addition to keep its own expenditures high to the extent of creating yet higher national debt totals. The policy-makers seem not to ignore the existence of factors other than unemployment, but rather to assume that with the removal of unemployment other weaknesses will be adjusted automatically. This then seems to be the broad reasoning back of present Federal Government monetary and fiscal policy.

That attention is focused upon the statistics on unemployment is of course no surprise because there can be little doubt but that it is at present the settled policy of this country that a rise in unemployment shall be followed by counteracting steps on the part of our government. This is the spirit of the Employment Act of 1946. Though the policy is clear, the implementation seems little planned save to the extent of continuous money-easing.

There is strong evidence that the trend of unemployment statistics is being used as the index of the trend of the economy and that the recessionary indication reflected in even a slight rise in these statistics is the signal for making money yet easier and more plentiful. You are well aware of the techniques used—government deficit spending, easing of credit terms for practically all purposes, and continued low-interest rates are major ones. In fact, there is a little-recognized area of credit creation the full force of which has yet to be felt. This is in the field of international finance, but it will not be treated in this paper.

With a gold certificate reserve ratio of 25% and an upper limit of 26% on the Federal Reserve System power to regulate commercial bank credit expansion all resting upon a gold certificate hold of some $23 billion, only about half of which is presently utilized, the remaining potential credit expansion for domestic use alone runs into the hundreds of billions. So, for those who consider available credit - created funds for either government or private use to be the weapon most to be relied upon to defeat unemployment hence recession, the abundance of ammunition is most gratifying. The only impediment to stability in the economy or to the attainment of further heights of national economic well-being, in the opinion of these individuals, is the restraining influence of the more conservative individuals like me who feel that lavish and promiscuous expenditure of credit-created dollars by our government carries serious inflationary dangers.

There is yet no proof that the law of business cycles—at least for individual products—has been repealed or that a constant influx of credit - created funds will nullify its operation. If it has not and our factors of production—labor, capital, materials and management — are not sufficiently agile or mobile to cope with saturated markets, we may witness the discouraging phenomena of rising unemployment in spite of increased government compensatory spending. In fact, added to the dilemma of rising unemployment might be the additional problem of rising, not declining, prices—at least in some product areas. It is this development I wish most fervently to see prevented.

It is true that the customary areas of economic weakness—those which have been danger signals in the past—for the most part appear strong today. The bank failures and the general freezing of purchasing power with related liquidation of goods and calling of loans is not characteristic of our economy today. Interest rates are low, not high. The volume of business and personal funds is enormous in contrast with their customary exhaustion in past periods of economic difficulty. In spite of four years of record production, demand for goods—particularly the highly important automobiles and houses—remains high. We have permeating the national psychology today a strong feeling that any recessionary development will be met immediately with counteracting measures. Although no definite orderly plan of battle appears to have been stamped with widespread acceptance and approval, overall, the picture seems to be quite favorable.

However, I call pause for a more searching glance at this time to items which have not been important factors of concern in the past. For the most part, they are related to the purchasing power group. They are:

(1) Considerable personal income was lost and considerable personal debt was created by the great coal strike.

(2) Corporate expenditures for capital formation are declining in the aggregate and in that part which remains there appears to be a shift from emphasis on an expansion of physical facilities to emphasis on capital formation for increased efficiency, particularly of a labor-saving nature.

(3) The employment situation is delicate and probably quite brittle.

(4) Consumer credit is at an all-time high and whereas the free gold base remaining for yet further credit granting is enormous with present reserve ratios, considerable question surrounds the practical utilization of very much additional credit.

(5) The entire agricultural price-support program is in a very considerable state of flux.

(6) The war accumulated liquid assets of the lower one-fourth of American families have long since been switched to the remaining three-fourths of the families.

(7) Business cycle forces are definitely important now because many of the wartime shortages have been satisfied.

(8) In the foreign field, which is very important now that we are gearing our economy to participation in a broad international program, the dollar-gap problem has not been settled nor are there yet signs of any important volume of private capital flow from this country to others.

In large measure the forces related to these enumerated factors are relevant to the enormous demand side of our present high-level economy. It is difficult to measure the significance of each force alone either independently or in conjunction with other related demand forces. It is for this very reason that caution at this time seems wise. Many of these factors have tremendous significance and yet are being given extremely broad freedom of action. Whether we can rely upon the automatic compensation for the ebb and flow of these various forces in our high-level economy as we aim at stability principally through the application of the instruments of government monetary and fiscal policy seems to me rather to be proved than to be assumed.

Halla Millington to Exhibit Paintings

Halla Millington, wife of Ralph W. Millington, Carl Marks & Co., Inc., 50 Broad Street, New York City, is giving an exhibition of 19 oil paintings May 1 to 13 at the Ward Eggleston Art Galleries, 161 West 57th Street, New York City, opposite Carnegie Hall. Mrs. Millington is a professional artist and specializes in non-objective and abstract oil painting.

Railroad Securities

Seaboard Air Line

Heartened by the reception that has been accorded recent railroad offerings, starting with the Rock Island operation last January, Seaboard Air Line is joining the parade. Next week it is proposed to sell at competitive bidding $30 million of new First Mortgage bonds, maturing in 1980. The proceeds from the sale, along with some treasury cash, will be used to call for redemption the outstanding $31,534,500 First 4s, 1996. These bonds are callable at any time on 30 days' notice at par. The road is not now in a position to do such a comprehensive job as Rock Island—that road called both its First Mortgage and Income bonds with a new single fixed interest issue.

While a really comprehensive job is not now feasible for Seaboard it is felt that the present refunding may be considered merely as an initial step in a long-term program which will eventually include replacement of the present Incomes with another issue. This would be of particular importance to stockholders in that it would allow elimination of the onerous Additions and Betterment Fund and dividend restrictions incorporated in the indenture of that issue.

Once the general credit is established through a lower coupon on the senior mortgage, handling of the Incomes would be easier. At the end of last year there were $43,728,000 of these 4½s outstanding. The company has large resources of cash and Government bonds not carried as current assets which could be used to reduce the amount of bonds outstanding if such a refunding move were ultimately to be contemplated.

Even though the Income bonds, with their penalizing indenture, are not to be eliminated at this time, the First Mortgage refunding has tended to focus attention of speculators and investors on the wide improvement there has been in the status of the company in recent years. This has been reflected in an increasing speculative interest in the road's common stock. Another factor has been the recent action of the directors in finally putting the stock on a regular dividend basis. The annual rate has been set at $2.00 a share, payable $0.50 quarterly. Even with the recent strength in the shares, many railroad analysts still look upon them as among the most attractive in the rail group for liberal yield and eventual substantial further price enhancement.

One of the brightest aspects of the Seaboard is its strong traffic position. Its long-term traffic and revenue trends have been superior to those of either the Southern Region or those of Class I carriers as a group. The management has been particularly aggressive in attracting new industry to the lines, and the whole area has been expanding industrially for a considerable period. It is generally expected that this territorial growth has not even yet run its full course. This augurs well for a continuation of the better-than-average trends already in evidence.

Expansion in the phosphate rock business in Florida has been another important consideration. Bolstered by the strong export demand and the increasing awareness of our own farmers of the desirability for fertilizing, this business is expected to expand further. Seaboard has been getting an increasing share of this business also. Last year, for the first time, it moved more than half the available tonnage — this one commodity accounted for 12.5% of total freight revenue last year. Another development that has benefited Seaboard has been the growing popularity of frozen citrus fruit juices. This has brought new industry into Florida and has also developed an important new movement of tin plate into the area for cans. This industry is still pretty much in its infancy, and a gradual increase in traffic from this source is also expected.

Last year earnings on the common amounted to $8.71 a share compared with $10.84 in 1948. After deducting the sinking and capital funds, however, earnings available for dividends were cut to $5.16 in 1949 and $6.59 in the preceding period. There was a modest year-to-year improvement in the opening quarter of 1950 and full year's results should be at least moderately ahead of 1949.

William D. Buzby, Jr.

William D. Buzby, Jr., partner in the investment banking firm of Butcher & Sherrerd, died May 1 in the Pennsylvania Hospital, Philadelphia, after a brief illness. He was 55.

He entered the investment business with the National City Co. in 1919 and in 1933 joined Butcher & Sherrerd, members of the New York and Philadelphia-Baltimore Stock Exchanges becoming a partner in 1939.

He was Chairman of the National Association of Security Dealers, Inc., District Committee No. 12, covering Pennsylvania and Delaware.

He was a member of the Bond Club of Philadelphia, the Union League and the Tavistock Country Club, Haddonfield.

In the First World War he served as a sergeant with the 120th Field Ordnance and was Philadelphia Regional Manager of the Second War Loan Drive in World War II.

He was active in the affairs of the First Presbyterian Church of Haddonfield, N. J., of which he was a Trustee.

He was a graduate of Wm. Penn Charter School and attended the University of Pennsylvania in the Class of 1919 where he was a member of the Kappa Alpha Society.

Irvin L. Stone

Irvin L. Stone, senior partner in the firm of Newburger & Co., Philadelphia, died suddenly on April 28. He was 63.

In February of this year, Mr. Stone celebrated his 50th year in the securities business. He started as a board boy with the firm of H. F. Bachmann & Co., which dissolved in 1923. He then became associated with Newburger, Loeb & Co., predecessor of the present Newburger & Co. He was elected a partner in 1931, assuming senior position three years ago.

Throughout his lifetime, Mr. Stone was active in civic affairs. He was President of the Young Men's and Young Women's Hebrew Association from 1944 to 1948. He was a Director of Jewish Hospital and a member of the board of Women's Medical College of Pennsylvania.

Continued from page 2

The Security I Like Best

President of Motorola, Inc., Paul V. Galvin.

To sum up, Motorola, Inc., is my favorite stock in the Electronics industry because:

(1) Motorola has achieved product diversification, being a leader in all four departments in which it operates, namely Television, Auto Radio, Communications and Home Radio.

(2) Its management is young, progressive and experienced.

(3) The company has ample working capital, sufficient to withstand the vicissitudes of a growing dynamic industry.

(4) Employee relations are as good as the best of any company in the industry.

(5) Of significant importance is the fact that directors and their families own of record, approximately 273,000 shares of the total outstanding 800,000 shares.

(6) It operates in a field—Electronics—which is still suffering growing pains and has barely scratched the surface from the standpoint of potentiality and opportunity. Qualified experts predict that in television alone total annual business of $1 billion presently will expand to $3 to $5 billions before the end of 1952.

ROBERT KING, Jr.
Investment Research Dept., First Securities Corporation, Durham, N. C.

(Dixie-Home Stores)

Naturally, the selection of a favorite security must be related to the purposes involved, but one which will appeal to the investor interested in reliable income and consistent growth is the common stock of Dixie-Home Stores, a compact little retail food chain operating in the states of North and South Carolina. This equity has been a favorite of individual investors large and small throughout its service territory and in many adjoining states ever since its original public offering back in 1938.

Robert King, Jr.

The investor who purchased the stock at that time has about 350% appreciation today, and has received an average cash return of about 13% per annum on his cost in the meantime. In fact, the customer who bought the stock just three years ago today paid about the current market and has received a 100% stock dividend in the meantime. Small wonder that the present stockholders are well satisfied!

Dixie-Home's dividend record has been very good. In its brief history as a publicly-owned enterprise, the company has never reduced its dividend rate and has paid an extra in December for the past 11 years in succession. The management, inherited from the merger of the Home Stores, Inc., and the Dixie Stores, Inc., may best be characterized as conservative financially and aggressive from a competitive standpoint. Its growth has been almost entirely internal and expansion has been financed out of the company's own funds. Cash dividend payments in the past three years have represented only 37% of earnings in those years. This helped to produce a 1949 year-end statement which showed cash covering long-term notes payable nearly three times. There never has been any preferred stock outstanding.

The stock has already demonstrated its value as a hedge against inflation, and like most well-managed food chains, the company turns its inventory about every 25 days, which provides better than average protection against deflation. The record of this form of enterprise during the last depression is well-known. The unit volume of grocery sales is about the same in good times as bad and when money is scarce, people are attracted to the supermarkets such as Dixie-Home operates, in greater numbers, by the lower prices available there.

Well over half of the company's 140 outlets at the end of 1949 were supermarkets, and management plans to increase this proportion in 1950. About a year ago the Furman University Foundation completed at Greenville, S. C., for long-term lease to the company one of the most modern grocery warehouses in the country. All of its stores are serviced out of this central location where a bakery is also maintained. This development has already benefitted operating efficiency and it may enable the company to show further improvement in an operating profit margin which is already far above that of most of the larger organizations in the field.

At about 17½, the 90-cent dividend total for 1949 provides a yield of just over 5%, which, all things considered, is regarded as a fair return by most of the company's 2,300 satisfied stockholders. Dexie-Home Stores stock is unlisted and is intended for the conservative individual investor.

HENRY P. NEWELL
Filor, Bullard & Smyth, N. Y. C.
Members N. Y. Stock Exchange

(Texas Pacific Land Trust)

The security I like best is Texas Pacific Land Trust. This stock has reflected its growth in equity value by achieving a new high in each of the past ten years. At the peak of the bull market in May of 1946, Texas Land was selling at 26 on the New York Stock Exchange; the Dow Jones industrial average was at 212. After four year the industrial average has reattained the 212 level—but Texas Land at 58 has more than doubled in value. These shares have shown an appreciation of over 900% since 1941. This growth has been exceptional, yet there is a great deal of factual evidence which indicates a continuation of the trend and a further wide enhancement of Land Trust stocks.

Henry P. Newell

Texas Pacific Land Trust owns over 1,800,000 acres in West Texas. The major portion of the company's revenue is derived from oil leases involving approximately 17% of its total acreage. Principal lessees are Atlantic Refining, Continental Oil, Cities Service, Gulf, Humble, Mid-Continent, Ohio Oil, Phillips, Pure Oil, Socony, and Texas Company. Oil lease contracts are generally executed on the basis that the Trust receives a one-sixth royalty rental, a cash bonus, and a percentage of oil when produced. Virtually the Land Trust is in the position of being a crude producer, but with none of the capital risks involved in drilling and exploration.

Revenues began to increase significantly with the discovery of the prolific TXL field on company property early in 1945. By the end of 1946 receipts of $2.3 million had more than doubled those of the previous year. An all-time high in operational income was recorded in 1948 when the Trust reported $7.1 million. Allowable production in Texas was curtailed by state conservation authorities which brought about some reduction in income for 1949. But in March of last year Socony-Vacuum, through Magnolia Petroleum Co., opened up the Pegasus Field by bringing in its first deep test well on Texas Land property. This field is considered to be one of the major discoveries of 1949 and is situated in an area in which Texas Land Trust holds over 100,000 acres. Large leases, extremely favorable to the Trust, have been and are being taken in this region. It is interesting to note management's policy of leasing only quarter sections, retaining the balance of the section while awaiting developments. This has been a highly profitable method of obtaining the utmost return in cash and oil bonuses. At the close of the year contingent bonuses from producing leases payable to the Trust amounted to $4.7 million. These bonuses are cumulative and will become evident on Land Trust balance sheet only when production from these properties becomes substantial. During 1949 lessees completed successfully 80 test wells which exceeded in number those of any prior year.

Of important and unusual consideration in the outlook for future Land Trust profits is the fact that the generally rising labor costs will have little if any effect since the company maintains less than a dozen employees. The largest single item of expense is the Federal income tax.

Cash dividends have been disbursed annually since 1935. Last year these amounted to $2.4 million or $1.70 per share. In addition, however, the company purchased and retired 42,000 Land Trust certificates. This policy of purchase and retirement is one of long standing. Diminution of outstanding shares has the effect of a hidden dividend and is particularly attractive to stockholders whose primary concern is capital gain. Of recent years the percentage of large holders of Land Trust certificates has increased and the tendency has been to add to holdings rather than to realize profits.

In considering the growth potential of Texas Pacific Land Trust one should bear in mind that about 75% of the Trusts' acreage lies west of the Pecos River. To date no production has been obtained from this region, yet there is excellent geological opinion that valuable oil deposits exist in this area. This possibility will doubtless be thoroughly explored during the next few years. Should the exploration prove favorable the increase in values which would accrue to the company's holdings could be enormous. In the meantime, drilling operations have continued to improve acreage in established areas and the recent discovery of the Pegasus Field has opened the door to the development of large Trust properties which previously had been somewhat removed from the nearest crude oil producing areas.

FREDERICK M. STERN
General Partner, Gruntal & Co., New York City
Members N. Y. Stock Exchange

(S. S. White Dental Mfg. Co.)

My favorite stock at the moment is S. S. White Dental Manufacturing Co. because it combines high quality, small capitalization, attractive price level, good yield, long-term dividend record, growth potential, substantial stock ownership by management, prospects of nearby lifting of selling pressure when subscription rights expire, and a large dose of romance. It is rare, indeed, to find so many qualifying features all at the same time.

Frederick M. Stern

S. S. White Dental Manufacturing Co. is the foremost dental supply firm in this country, dating from 1844, and incorporated in 1881, since which time dividends have been paid in every year without interruption. The company is engaged in retail and wholesale operations, making a complete line of dental equipment and related supplies. In addition, it manufactures a number of general industrial products, such as valves, flexible shaftings, molded plastics and resistors, devices for aircraft, etc.

Despite its respectable age, the firm has stayed virile and remained alert to new developments and opportunities for expansion through purchase of small independents fitting into its setup. Only this year the retail division of the Dentists' Supply Co. of New York was acquired and consolidated with the parent's local branch. Two factories and subsidiaries are located in this country, and one each in England and Brazil. Other subsidiaries operate in Australia, Canada and France.

Capitalization is small, consisting only of common stock, with 298,918 shares now outstanding. They will be increased to 363,004 through a 5% stock dividend payable May 15 to holders of April 24, plus an offering of subscription rights as of the same record date for one new share for each ten held at $28.25, expiring May 8. Any stock not subscribed, plus 20,000 additional shares, may be purchased by White's employees for cash or by monthly instalments to be financed by a Philadelphia bank.

Listed on the New York Stock Exchange, the shares have ranged this year between 41 high and 30¼ low. Quoted near the lower end of this scale, the stock was recently ex-dividend 37½ cents in cash and 5% in stock, and ex-rights. These distributions have probably depressed the stock market quotation directly or indirectly, and expiration of the rights should remove this influence. The public offering is underwritten by Drexel & Co.

Per share earnings in 1949 were $2.69, as compared to $4.40 in the previous year. The major part of the decline was due to increased development expense for new products, foreign exchange adjustment as result of currency depreciation, and higher depreciation charges. For 1950, volume is expected to compare favorably with last year's, with particular stress on better sales outlook in the second half when larger classes graduate from dental schools.

Dividends, including extras, were at the rate of $1.60 in each of the past three years, affording a yield of about 5¼% per annum at the current price of around 30½. During the last decade, approximately $15 a share was retained in the business from undistributed profits. Year-end 1949 balance sheet showed current ratio of 5.5:1, net current assets of $30.83 and book value of $42.90 per share.

The new stock offering is expected to return about $1.4 million for additional working capital, etc. Part of the funds will probably be used for setting up a mass-production line for a new machine which, in the writer's opinion, is adding the romance and growth potential to S. S. White's conservative respectability.

This new product, from which the company is just beginning to lift the wraps a little, is euphemistically called the "Airdent Unit for Airbrasive Technique." In cooperation with the inventor, Dr. Robert B. Black of Corpus Christie, who will receive a 5% royalty on the wholesale selling price if his patents are approved, the company has perfected a new type of equipment which promises to banish forever the fear of going to the dentist and dread of needle and dental drill. In this new method of excavating tooth cavities, a high-pressure jet of gas carries finely divided particles of abrasive with such precision and force as to cut away tooth enamel accurately and rapidly without heat, vibration, and with a minimum of pain. The Airdent Unit provides a means of collecting and disposing of spent abrasive powder, controls for gas pressure, and for mixing and proportioning the abrasive, a finely powdered aluminum oxide in a stream of carbon dioxide gas. It will supplement but not supplant present dental apparatus.

S. S. White's have shunned publicity, but experimental work seems to be practically finished and a number of units have been installed in dental schools for study and training of instructors. Equipment for general distribution to qualified dentists is believed to be scheduled for the early part of next year.

Although no advertising, description or promotional matter has been issued, a reporting dentist, who saw a machine in operation, has acclaimed the new technique in a trade publication as the dawn of a new era in dentistry.

No doubt, when painless tooth excavating can be obtained, public demand will oblige every dentist to place an order as soon as possible. There are about 70,000 dentists in the United States alone, and many more the world over. Surely S. S. White's have a growth potential and romance for the stockholder.

The management have declared that they are not asking investors to buy shares on the assumption that unprecedented profits may be reaped, that they do not seek publicity, and do not wish to make predictions about the commercial results. They have refused to comment on purported selling prices and output projections. But it is worth noting that they own some 66,600 shares of common stock, or 22% of the entire issue now outstanding, and are presently offering to the 2,200 employees, including the officers, upward of 20,000 new capital shares at a preferential price.

In contrast to most growth situations, the current market price does not seem to discount the potentialities but would be fully justified on the company's normal operations which incidentally are not expected to be affected adversely by the new equipment.

Phila. Secs. Assn. to Hold Annual Field Day

PHILADELPHIA, Pa.—The annual Field Day of the Philadelphia Securities Association will be held Friday, June 9, 1950, Newlin F. Davis, Jr., of Kidder, Peabody & Co., President of the Association, announced. The outing will be held at the Aronomink Golf Club, Newton Square, Penna.

Continued from first page

As We See It

which set themselves up or had been set up for the purpose of delivering the people of the United States to alien masters.

Formal Limitations

It may be necessary for a Congressional committee or an executive office to limit itself to some such charges as these, or at the most, to charges that individuals or organizations have been engaged in fomenting action looking forward to forceful overthrow of the orderly processes of government as set up under the Constitution of the United States. A case could be made out for the view that once any agency of government undertook to attack individuals, or free organizations of free peoples on grounds which involved no charges of law-breaking of any sort, it had entered the field of partisan politics. It could scarcely be expected, or should be expected to condemn any individual or any group because it differed with it in the matter of political views or even of social philosophy so long as means of change laid down in our form of government were accepted in good faith.

But, of course, it would be extremely unfortunate, almost disastrous, if such investigations as are now going forward should result in nothing more than in demonstrating that individuals or organizations in question are or are not guilty of crime. What has been taking place in these investigations, and doubtless what will continue to take place, should have served and should serve as a reminder and a source of information about what has been going on and what still is going on in politics in this country —what has been going on often without any taint of subversive crime.

The Real Issue

Whatever limits may be imposed upon government by political propriety, or by the tenets of individual freedom of thought or expression, there is nothing whatever in our system of government or society which suggests that the individual at large should not consider the personal views of individuals (to which they may well be fully entitled) and reject both the individual and the views at the polls or elsewhere as he sees fit. Indeed, if some such prerogative is not reserved to the citizen and if the citizen fails dutifully to exercise some such prerogative, our American system can scarcely survive in this real world in which we live.

Most of what has been under investigation so far has had to do with foreign policy. Much has been said as to whether our policy toward China was Communist-inspired or a product of the influence of the "lobby" maintained (so it is said) by the opposing Nationalist government. This seems to us to be a rather superficial approach to the subject. The important question is whether our policy has been wise or not. Both the Communist and the Nationalist spokesmen and representatives have had their own interests to serve. If, as many believe, we have so played our hand in these matters that the Kremlin has gained a large advantage over us, and if there was any other way in which we could have moved to better advantage, then a mistake in policy has been made quite regardless of how it happened that we made it. If the situation as it has now developed in China was inevitable regardless of any practicable course on our part, then we have been wise in accepting it as something without remedy—again regardless of the source of our inspiration.

Fostering Communism—Directly or Indirectly

Of course, there are accusations (implied if not precisely stated) that certain agents of the Kremlin have succeeded in placing themselves in positions of influence within the government for traitorous purposes. Such action is treasonable, of course, and it is properly the duty of whoever is in a position to do it to ferret them out and inflict due punishment upon them. If such agents are to be found in any of the offices of the Government, then those responsible for letting them sneak in are certainly open at least to the charge of negligence or incompetence, and should be so exposed. If any in places of official responsibility have shown themselves disposed to persuasion and influence by traitors, then negligence or incompetence or both are again evident. All this is reasonably clear, although testimony and counter-testimony is difficult to sift and appraise.

But there is another aspect of all this which should not escape the public, and it touches not only the State Department and foreign affairs, but many departments and many members of Congress besides. It is obvious that many have too ready an ear for doctrines, programs, and proposals which are much more closely akin to communism than to traditional Americanism. There is much more communism (as distinct from Kremlinism) in this country than is commonly realized, and some who, whether they know it or not, are most vociferous in denouncing Kremlinism are most active in the promotion of it. There was a violent outburst of it with the advent of the New Deal in 1933, and along with it a great growth of Kremlin-like political techniques. Much, probably the vast majority, of this was within the law, but it was and is, for that reason but little less deadly to the American system than out and out treason of the sort now under investigation in Washington.

In our judgment, we as a nation are in greater danger from what we might term philosophical communism—free of any taint of Kremlin dominance—than from the Kremlin-controlled and directed type.

Continued from page 17

Reorganize United Nations Without Russia

ment on only one point. We lost the game—400 million to nothing.

Many of our left wingers were not consciously doing all this. They were just trigger-happy to anything new in ideological life.

Warned Against Collaboration With Russia

Lest anyone think I am a recent convert in these views, I may cite that just 9 years and 63 days ago I warned the American people that collaboration with Stalin to bring freedom to mankind was a gargantuan jest. I used the wrong adjective. I should have said tragic. For as a result, instead of the expansion of liberty, we witness a dozen nations and 600 million human beings enslaved.

The fourth phase of this experience was that Soviet Russia has in the last 12 years violated more than 35 solemnly signed agreements.

The fifth phase of this experience has been with the Communists in the United Nations. That Charter for which we hoped so much contains lengthy pledges to the independence of nations, to human liberty and to nonaggression. About a dozen provisions of that Charter have been violated either in spirit or in letter by Soviet Russia. The Kremlin has reduced the United Nations to a propaganda forum for the smearing of free peoples. It has been defeated as a preservative of peace and good will.

The sixth phase of this experience is that we now find ourselves in an expensive and dangerous cold war. We conduct the battle with subsidies to beguile peoples to rectitude from internal communism. A year ago we made the Atlantic Military Pact. The expressed hope was that although there was no commitment to go to war, these nations would build up their own arms to adequately defend their own rooms. In persistence to an old habit, we are taking up the check.

In the meantime we learn that our first defense — the atomic bomb—has been stolen from us.

The final phase of our experience with Russia is the belated realization that this is not one world but two worlds. The one world idea seems to be lost in the secret files.

One world is militaristic, imperialistic, atheistic and without compassion. The other world still holds to belief in God, free nations, human dignity and peace.

Now to come to the point of all this. The American people ought to take a cold and objective look at this experience before we go any further.

This look should be directed to the fact that more and more the burdens of defending free men and nations are being thrust upon the American people, who are only one-sixth the population of the globe. We are becoming more and more isolated as the sole contender in this cold war. We are steadily losing ground because the non-Communist states are being picked off one by one or are compromising with the Communists. Our countrymen are in a fog as to what, where and when all this leads to.

Concrete Mobilization of Nations Needed

What the world needs today is a definite, concrete mobilization of the nations who believe in God against this tide of Red agnosticism. It needs a moral mobilization against the hideous ideas of the police state and human slavery. The world needs mobilization against this creeping Red imperialism. The United States needs to know who are with us in the cold war against these practices, and whom we can depend on.

Therefore, I have a proposal to make.

I suggest that the United Nations should be reorganized without the Communist nations in it. If that is impractical, then a definite New United Front should be organized of those peoples who disavow communism, who stand for morals and religion, and who love freedom.

Specific Proposal to Reorganize United Nations

This is specifically not a proposed extension of a military alliance or any color of it. It is a proposal based solely upon moral, spiritual and defense foundations. It is a proposal to redeem the concept of the United Nations to the high purpose for which it was created. It is a proposal for moral and spiritual cooperation of God-fearing free nations.

If the free nations join together they have many potent moral, spiritual and even economic weapons at their disposal. They would unlikely ever need such weapons. Such a phalanx of free nations could come far nearer to making a workable relation with the other half of the two worlds than the United States can ever do alone.

By collective action we could much more effectively keep their conspiring agents and bribers out of all our borders and out of our laboratories.

It may be the non-Communist world is not willing to take such a vital stand. At least it would clarify what we have to do.

The test I propose is the logical and practical method of total diplomacy. It would make diplomacy dynamic and lessen the dangers of the American people. All this may give pain to some people. But by their cries ye shall know them.

My friends, I am not disheartened by all this recall of disturbing experience. We must retain our faith in Western civilization. In support of that faith we are perhaps a slow but a resolute and intelligent people. We have the greatest organ of education known to man—a free press. You can dissolve much of our confusions and frustrations.

And in rejecting an atheistic other world, I am confident that the Almighty is with us.

Committee to Aid Catholic Charities

To help care for handicapped, dependent and neglected children, and to give relief to the sick, the aged, the blind and the needy, a group of Stock Exchange members and executives is continuing their solicitation of stock exchange and brokerage houses in connection with New York Catholic Charities current appeal for $2,175,000.

The group is a division of the Cardinal's Special Gifts Committee of the Laity. The Chairman is Walter E. Travers of Travers and Bartsch. The Vice-Chairmen are William A. Coleman and Joseph A. Mahoney, both of Adler, Coleman & Co. The Executive Chairman of the entire Cardinal's Committee of the Laity is John A. Coleman.

The members of the Stock Exchange group include: Thomas W. Bartsch, Travers & Bartsch; George Bernhardt, New York Curb Exchange; William B. Bohen, Baker, Weeks & Harden; Harold J. Brown, Brown, Kiernan & Co.; Edward Cohan, Pershing & Co.; C. Edward Connell, New York Curb Exchange; Edwin Connor, Jr., Wilcox & Co.; James R. Dyer, Dates & Dyer; George F. Garlick, M. J. Meehan & Co.; Charles A. Greenfield, Mabon & Co.; Harold S. Hirschberg, New York Stock Exchange; D. Raymond Kenney, D. Raymond Kenney Co.; Arthur H. Lamborn, DeCoppet & Doremus; Charles S. Leahy, Leahy Brothers; James F. McDonnell, McDonnell & Co.; Thomas M. McDonnell, McDonnell & Co.; Daniel M. McKeon, Drysdale & Co.; Raymond A. McMann, Laird & Co.; Philip MacGuire, Ingalls & Snyder; Charles K. Marsico, Merrill Lynch, Pierce, Fenner & Beane; Joseph A. Meehan, M. J. Meehan & Co.; William M. Meehan, M. J. Meehan & Co.; John Melady, John Melady & Co.; Charles O'Brien Murphy, Merrill Lynch, Pierce, Fenner & Beane; Thomas W. Murphy, Moore & Schley; Joseph C. Nugent, Mabon & Co.; Edward O'Brien, New York Curb Exchange; William P. O'Connor, McDonnell & Co.; Walter T. O'Hara, Thomson & McKinnon; John J. Phelan, Nash & Co.; William J. Quale, Adler, Coleman & Co.; John G. Regan, Bonner & Gregory; Graham Walker, Joseph McManus & Co.; James J. Watson, Hornblower & Weeks.

Now a Corporation

Hautz & Engel, 57 William Street, New York City, is now doing business as a corporation.

Continued from page 5

The State of Trade and Industry

national metalworking weekly, in its current summary of the steel trade. Barring unexpected trouble, a record-breaking second quarter seems assured.

This prediction is based on the following factors: (1) operations are expected to remain near 100% of rated capacity. (2) The industry's capacity is larger than it has ever been. Counting expansion this year, it is about 100 million tons a year. (3) Current record-breaking production is supported by terrific demand, which is general for nearly all major steel items. (4) Inventories of steel users are not large, are in fact considered unsatisfactory in many cases. (5) Traditionally cautious steel officials are predicting capacity output through the second or third quarter. (6) Steel company order backlogs are bigger (they average about 5 months at current production rates), and pressure from consumers is still growing.

How long will torrid consumer demand keep the steel market boiling at this record level? Steel officials, this trade paper observes, are divided on whether the tapering off will begin in the third quarter or in the fourth quarter, but are agreed that when it comes it will be a gradual tapering off.

In an effort to satisfy as many customers as possible, some mills have been forced to make arrangements that are costing them money. In short, the mills themselves are involved in conversion deals.

Steel consumers are worried about their costs but do not expect any increase in regular mill prices for steel products. Many of them have already been forced to pay out extra money for conversion and premium priced steel. They know they are selling in a buyers' market, and competition is getting keener, not easier. Any addition in costs, the magazine adds, must be lopped off profit margins, which aren't large to begin with.

Encouraged by the record pace in steel scrap prices advanced in nearly all areas and most grades were affected. "The Iron Age" steel scrap composite price this week soared well above $30 a ton, setting another new high for the year.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 100.2% of capacity for the week beginning May 1, 1950. This is 0.1 of a point below last week's rate of 100.3%.

The scheduled rate of output this week was a trifle less than the previous week's output of 1,912,000 tons, the greatest production in the history of the industry. It was 1,880 400 tons during the week of March 14, 1949 when the industry's capacity was lower and operations were at 102% of that capacity.

This week's operating rate is equivalent to 1,910,100 tons of steel ingots and castings for the entire industry compared to 1,912,000 tons one week ago. A month ago the rate was 96.8% and production amounted to 1,845,300 tons; a year ago it stood at 97.3% and 1,793,700 tons.

ELECTRIC OUTPUT MARKEDLY IMPROVED IN LATEST WEEK

The amount of electrical energy distributed by the electric light and power industry for the week ended April 29 was estimated at 5,902,168,000 kwh., according to the Edison Electric Institute.

It was 56,532,000 kwh. higher than the figure reported for the previous week, 598,327,000 kwh., or 11.3%, above the total output for the week ended April 30, 1949, and 859,816,000 kwh. in excess of the output reported for the corresponding period two years ago.

CARLOADINGS IMPROVED FURTHER IN LATEST WEEK

Loadings of revenue freight for the week ended April 22, 1950, totaled 722.644 cars, according to the Association of American Railroads. This was an increase of 15,372 cars, or 2.2% above the preceding week.

The week's total represented a decrease of 46,703 cars or 6.1% below the corresponding week in 1949 and a decrease of 129,282 cars, or 15.2% below the comparable period in 1948.

AUTO OUTPUT SUFFERS SLIGHT REDUCTION DUE TO SOUTHERN HOLIDAY

According to "Ward's Automotive Reports" for the past week, motor vehicle production in the United States and Canada dropped to an estimated 146,554 units compared with the previous week's total of 151,613 (revised) units by an increase in production at the Ford plant.

The decline was attributed mainly to cuts in General Motors and Ford output resulting from observance of the Confederate Memorial Day holiday in Georgia, where three important assembly plants are located.

The total output for the current week was made up of 113,520 cars and 26,191 trucks built in the United States and a total of 5,109 cars and 1,734 trucks built in Canada.

The week's total compares with 136,728 units produced in the like 1949 week.

BUSINESS FAILURES TREND SLIGHTLY LOWER

Commercial and industrial failures dipped to 186 in the week ended April 27 from 188 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were somewhat lower than a year ago when 204 occurred, they remained above the total of 106 in the similar week of 1948. Failures continued to be less numerous than in the prewar period; they were 43% below the 326 reported in the comparable week of 1939.

Retailing and construction accounted for the week's decrease In manufacturing, wholesaling and in service failures increased. More retail and wholesale concerns succumbed than a year ago, but other industry and trade groups reported a mild decline from their 1949 levels.

WHOLESALE FOOD PRICE INDEX RECOVERS SHARPLY FROM PREVIOUS LOW POINT

The wholesale food price index, compiled by Dun & Bradstreet, Inc., advanced 10 cents, or 1.7%, to $5.83 on April 25, from the year's low of $5.73 recorded a week earlier. This marked the sharpest week-to-week gain in six months. The current index represents an increase of 2.8% as compared with $5.67 registered at this time last year.

WHOLESALE COMMODITY PRICE INDEX RISES TO NEW YEAR HIGH AIDED BY FIRMER FARM AND INDUSTRIAL PRICES

The Dun & Bradstreet daily wholesale commodity price index rose to a new high for the year the past week as farm and industrial prices continued to strengthen. The index closed at 255.12 on April 25, against 252.23 a week ago, and 248.70 on the like date of last year.

Grain prices improved materially last week with most deliveries of wheat, corn and soybeans advancing to new high levels for the current crop year to date.

Although grain stocks generally continue far above normal, there was a lack of hedging pressure due to the fact that much of the grain is being held off the market through government loans.

Further deterioration of the wheat crop in the Southwest through drought and bug damage was reported. Rain fell over a large part of the belt last week but the crop is still badly in need of moisture. Corn moved higher in sympathy with other markets. Trade demand for corn was good but export sales were only moderate. Country marketings of corn last week expanded sharply, reflecting good weather conditions and highest cash prices in months. The movement of oats was larger with demand active and prices steady.

Trading in the domestic flour market was largely confined to small-lot bookings for immediate or nearby shipment. Consumption of baked goods was said to be lagging. Export demand for flour remained slow. Actual cocoa prices were slightly easier in rather quiet trading. The raw sugar market was steady to slightly firmer, aided by relative tightness in the southern market. Coffee prices closed on a firmer trend following early weakness.

All classes of livestock scored substantial advances during the week, aided by curtailed market receipts and strength in fresh meat prices.

Domestic cotton markets continued to rise during the week with values touching new highs for the season late in the period. Activity in spot markets increased rather sharply with sales in the 10 markets totaling 116,200 bales last week, against 89,500 the previous week and 92,300 in the corresponding week a year ago. Mill demand showed improvement and buying for export account increased susbtantially.

Strength in market values was attributed to inflationary influences, foreign political developments and the possibility of a relatively small cotton crop next season.

Repossessions of 1949 loan cotton in the week ended April 13 rose to 93,100 bales, from 63,400 hales in the preceding week.

Loan entries during the latest period were reported at only 2,600 bales, leaving a net stock in the hands of the CCC as of April 13 of 2,242,800 bales.

Trading in cotton textile markets continued limited in volume but prices were more stable than in other recent weeks. Crop progress was reported satisfactory in most areas of the belt.

RETAIL AND WHOLESALE TRADE IMPROVED BY GOOD WEATHER AND SHRINKING INVENTORIES

Under the impetus of favorable weather throughout much of the country, retail spending rose slightly in the period ended on Wednesday of last week, Dun & Bradstreet, Inc., reports in its current summary of trade. Total dollar volume was very slightly below the level for the comparable week in 1949. A moderately increased interest in summer items became generally noticeable in much of the purchasing.

There was a general increase in apparel buying the past week, as clearances and special promotions prevailed in many shopping centers. Sales remained noticeably below the high level of a year ago, however.

Shoppers bought slightly more food than in the week previous with dollar volume rising above last year's level. There were large gains in the amount of fresh meats, vegetables, and dairy products purchased in scattered food centers.

The dollar volume of housefurnishings bought last week was virtually steady with the preceding week. While large appliances were in increased demand, furniture buying was moderately reduced in some instances. Sewing machines and vacuum cleaners were plentifully sold in response to intensified promotions in many localities. The interest in television sets rose, but not to so large an extent as in past weeks.

Total retail dollar volume for the period ended on Wednesday of last week was estimated to be from 1% above to 3% below the level of a year ago. Regional estimates varied from the levels of a year ago by these percentages:

New England +2 to —2; East and South —1 to —5; Midwest, Northwest and Pacific Coast +1 to —3 and Southwest 0 to —4.

With inventories in many retail outlets for soft-goods lines becoming diminished, total wholesale orders rose slightly last week. Dollar volume was barely above the level for the corresponding week a year ago. The number of buyers registered in various wholesale centers was moderately below the figures for the past week and for the similar 1949 week.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended April 22, 1950 declined 5% from the like period of last year. A decrease of 19% was recorded in the previous week from that of a year ago. For the four weeks ended April 22, 1950, sales declined 4% from the corresponding period a year ago, and for the year to date show a drop of 3%.

Retail trade in New York while moderately active continued lower than in the like period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to April 22, 1950, advanced 1% from the like period last year. In the preceding week a decline of 21% (revised) was registered from the similar week of 1949. For the four weeks ended April 22, 1950, a decrease of 7% was reported from the like week of last year. For the year to date volume decreased by 6%.

Business Man's Bookshelf

Final Phase?—Bulletin discussing whether present market is last chance to sell before a stock market reversal, with 33 special hedge recommendations—special trial offer of current bulletin and next four weekly issues for $1—Bondex, Inc., 654 Madison Avenue, New York 21, N. Y.

Food and Agriculture Organization of the United Nations Yearbook for 1949—Columbia University Press, 2960 Broadway, New York 27, N. Y.—Paper—$3.50.

"How to Reduce Your Income Tax by Converting a Short Term Profit into a Long Term Capital Gain" and **"How You Can Buy Protection** for your stock market profits during a doubtful period in an uptrend" — Report C-103, Mansfield Mills Company, Larchmont, N. Y.—copies on request on writers letterhead (also included is a copy of current market analysis report indicating relative strength measurement ratings on 460 stocks and 42 industry groups).

International Monetary Fund Publications—List of publications as of March 1950 — International Monetary Fund, 1818 H Street, N.W., Washington 25, D. C.—paper.

Pension Idea, The — Paul L. Poirot—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—paper.

Plus Twenty Stock Portfolio—and two weeks trial market letter—Ask for Portfolio No. C, Market Direction, Inc., Pure Oil Building, Chicago 1, Ill.

Socony-Vacuum Oil Co. — Encyclopedia of information regarding the company planned to answer questions from security analysts, bankers and other professionals engaged in finance—Socony-Vacuum Oil Co., Inc., 26 Broadway, New York 4, N. Y.

Sources of Information on Union-Management Relations—J. Gormly Miller—Extension Bulletin No. 4, New York State School of Industrial and Labor Relations, Cornell University, Ithaca, N. Y. —Paper—Free to New York State residents (on requests for over five copies and out-of-state orders, a charge of 10c a copy is made to cover costs).

Speculative Merits of Common Stock Warrants—Sidney Fried—Dept. C, a R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y. —$2.00.

Stock Option and Stock Purchase Plans—Wilbur H. Friedman and Gerald Silbert — Reprinted from Proceedings of the Eighth Annual New York University Institute on Federal Taxation—Mathew Bender & Company, Inc., Albany 1, N. Y.—paper.

Successful Investment Salesmanship—collection of articles on investment salesmanship — Retail Book Department, Barron's Publishing Company, Inc., 388 Newbury Street, Boston 15, Mass. —$3.00.

Tax Structure of the State of Washington — Maurice W. Lee — Bureau of Economic and Business Research, School of Economics and Business, State College of Washington, Pullman, Wash. — paper bound, 50¢ per copy; cloth, $2.50.

Nationalized Transport Operations in Great Britain (1948)—Association of American Railroads, Bureau of Railway Economics, Washington, D. C.—paper.

Continued from page 4

The Use of Financial Reports In Security Analysis

Service Co., for example, cash and marketable securities as of last December were $160 million which provided net cash assets of $51 million ($160 less $109) and a cash asset ratio of 1.4 ($160 divided by $109). Where cash and marketable securities alone, as in this case, are greater than all current liabilities we can assume that the company is indeed in an extremely liquid position.

You will note that whenever we spoke of the relationnship of one balannce sheet figure to another we spoke in the past tense or identifed the figures with a specific date. This is most important, since as we have seen the balance sheet tells us the financial condition as of a specific date and in the period intervening it is possible that such figures may have changed considerably. In analyzing a balance sheet it is a good idea to keep this limitation well in mind.

The Individual Security

The second set of comparisons of balance sheet figures which we shall make are concerned with the values behind individual securities of the company. Here we are concerned not so much with the overall condition of the company as a whole but with the individual security in which we may be interested.

(1) Net Tangible Assets Per Bond or Per Share: As a bondholder or shareholder we shall certainly be interested in knowing just how much assets are behind each of our bonds or shares of stock. This figure is easily determined by dividing the assets which such security has claim to by the total amount of the security outstanding. (For the sake of conservatism, such intangible items as patents and goodwill are deducted from the assets figures.)

As a bondholder we will normally have a claim against all of the company's assets, less current liabilities, although whether this is a prior claim or one which follows other claims will depend upon the specific security. In the case of the Brooklyn Union Gas Co., for example, there are two issues of bonds outstanding, a first mortgage series due in 1976, in the amount of $34 million, and a 4% debenture issue due in 1969 in the amount of $7 million. The Company's total assets were $135 million at the end of last year while current liabilities amounted to some $22 million so that net tangible assets totaled some $113 million. To determine the tangible assets behind each of the first mortgage bonds (which as we have seen in our first lecture have a prior claim over the debenture issue) we simply divide the company's total net tangible assets of $113 million by $34,000 (bonds are issued in denominations of $1,000) and we find that there are some $3,300 of net tangible assets behind each of the $1,000 first mortgage bonds, a coverage of more than 3 to 1. To determine the coverage behind the debenture bonds we must, of course, adjust for the prior claim of the first mortgage bondholders. Therefore, we deduct the $34 million first mortgage issue from the net tangible assets of $113 million and divide the resulting figure of $79 million by $7,000 which gives us net tangible assets per debenture bond of more than $11,000.

Net tangible assets per preferred share and per common share are found in roughly the same way. In the case of the Atlantic Refining Co. total tangible assets are $406 million, current liabilities $67 million, long-term debt $35 million and other liabilities $8 million. To find the net tangible assets behind each of the Company's 147,980 preferred shares Series A we first subtract all of the liabilities from the Company's total assets of $406 million and divide the resultant figure of $296 million by 147,980. This gives us a figure of $2,000 of net tangible assets for each of the Series A preferred shares.

The Atlantic Refining Co. also has outstanding 352,000 shares of Series B preferred stock. Net tangible assets for each of these shares is found by dividing $281 million ($296 million less the approximately $15 million of Series A preferred shares) by 352,000 or about $800 per share.

Net tangible assets for each of the Company's 2,660,911 shares of common stock is then found by dividing the Company's assets minus liabilities and preferred stockholders' claims ($406 million less $160 million or $246 million) by this number of shares, giving us a figure of some $90 per share of common stock. This latter figure of net tangible assets per common share is also spoken of as the "book value" or "equity" per common share.

The figure of net tangible assets per bond or "book value" per share is one which is frequently referred to in security analysis so that it is important to bear in mind that in actuality there may be very little relationship between book value and market value. Book value is only one of many factors which must be considered in a security's appraisal. You will find that many securities sell at considerably less than their book value while others may sell far in excess of such book value. The common stock of Abbott Laboratories for example with a book value of approximately $13 a share is currently selling for some $45, while the common stock of the Virginia Iron Coal and Coke Company sells for less than $10 a share although its book value is more than $70. Again, this is only one of many measures used in analyzing a security.

(2) Net Current Assets per Bond or per Share: Just as we have determined the net tangible assets for a security in which we may be interested, we can also determine the net current assets for such a security by dividing the net current assets (total current assets less total current liabilities) by the amount of the security outstanding, adjusting as the case may be for securities with prior claims. This figure is not generally determined for bonds or even for preferred shares but it is often used as one measure for evaluating the common stock of industrial and mining companies. In effect, it gives us some idea of the amount of assets which might readily be available for the common stockholders if the corporation were liquidated. The net current assets per common share of the Studebaker Corporation, for example, would be found as follows. The Company's total current assets as of the end of last year were $103 million with current liabilities of $47 million, giving net current assets of $56 million. Ahead of the Company's 2,355,460 shares of common stock is a debenture bond issue of $9,500,000 which must first be subtracted from the net current assets of $56 million. The resulting figure of $46,500,000 is then divided by the total number of common shares outstanding, giving a figure of approximately $19 of net current assets per share of common stock.

While the figure of net current assets per share is an interesting one and when taken together with other critical measures may have considerable importance, by itself it may have very little relationship to market value or sound security appraisal. Many securities today are actually selling below their net current assets or working capital. For example, the common stock of Montgomery Ward whose net current assets per share is approximately $62 is selling for $55, and the common shares of the Lima-Hamilton Corporation, producer of Diesel locomotives, are selling some 50% under their net current assets. On the other hand, the common stock of the Brooklyn Union Gas Company sells for $43 per share although at the end of last year the company had no current assets whatsoever.

In evaluating the significance of the figure of net current assets per share it is also important to know just what items compose the current assets. If, for example, sticky inventories make up the bulk of the current asset total the figure is considerably less meaningful than if current assets are almost all cash and marketable securities.

One of the reasons that the figures of net tangible assets or net current assets per bond or per share are not as meaningful as they might appear to be is that today corporations are seldom liquidated with their assets distributed to bondholders and stockholders. Even where there seems to be good reason for the corporation to liquidate and distribute its assets this is almost never done. the complexity of the large corporation and its importance to overall economic activity or to the local community militate against such action and even in bankruptcy the corporation may be permitted to operate and preferred security holders may not have access to their normal legal rights. Thus, the $5\frac{1}{4}$% secured bondholders of the Missouri Pacific Railroad were not permitted to claim their collateral when the railroad went into bankruptcy even though the value of that security was considerably in excess of the award which was given these bondholders in the company's reorganization plan. Again, when the International Hydro Electric Company was unable to meet its bonds which came due in 1944, the bondholders were not permitted to take over and liquidate the company but a trustee was appointed for continuing the company's operations and the bonds were extended indefinitely.

The balance sheet also helps us to determine the soundness of a company's capitalization, that is the relationship of its debt, its preferred shares and its common shares. This relationship is easily found by adding the total amount of debt and preferred stock outstanding to the total of common stock and surplus and then dividing each of these three figures by the total. For example, the Atlantic Refining Co. as of the end of last year had long-term debt of $35 million and preferred stock of $50 million. The par value of its common stock was $67 million and the total capital surplus and earned surplus amounted to $180 million. Adding all these figures together we find that the company's total capitalization amounted to $332 million and then dividing each of these capital accounts by this figure we determine that Atlantic Refining's debt constituted approximately 11%, its preferred stock approximately 15% and capital stock and surplus some 74%. The Cities Service Company, on the other hand, as of last December had a long-term debt of some $424 million, $29 million of preferred stock, common stock with a par value of $37 million and capital and earned surplus of $327 million. Total capitalization, therefore amounted to $817 million and this was divided 52% to debt, 4% to preferred stock, and 44% to common stock and surplus.

Unfortunately, there is no general rule which can be applied to determine what is and what is not an acceptable capitalization. A high debt ratio bears careful study because it may mean that a company will have difficulty meeting heavy fixed charges in depressed business periods. On the other hand, a high debt ratio of and by itself does not necessarily mean an unsound capitalization just as a low debt ratio or even the absence of debt entirely may not be any indication of a sound investment.

Moreover, the relationship of debt, preferred stock and common stock varies widely for companies in different industries. It is normal for a public utility, for example, to have a fairly substantial debt figure and a company in this industry with its capitalization divided 40% debt, 10% preferred stock and 50% common stock would on the face of it appear to be very conservatively capitalized. Railroads and oil companies also generally show a high debt ratio. On the other hand, if the manufacturer of radios and television sets or heating equipment showed a debt ratio as high as that mentioned for the public utility, we might question the soundness of its capital structure.

Turing now to the analysis of the profit and loss statement, we use this financial report as a basis for determining a company's operating efficiency and as a test for what might be called security protection.

(1) Tests of Operating Efficiency: There are a number of tests which we might make from the profit and loss statement figures for appraising a company's operating efficiency. If we are analyzing a railroad, for example, it is customary to compare operating expenses with operating revenues, dividing the former by the latter figure. The resultant figure is technically known as the "operating ratio" and is one criterion for evaluating the road's operations—the lower the figure the more efficient presumably the road is. For the year 1949, the Minneapolis, St. Paul and Sault Ste. Marie Railroad had operating revenues of $35 million with operating expenses of $30 million. Dividing $30 by $35 we obtain the figure of approximately 86% which means that out of every dollar of total revenue, some 86c went for direct operating expenses. This figure, incidentally, is considerably higher than the average of all railroads which was some 80% for the year 1949. Even this 80% industry figure, however, is historically a high one, indicating that it was an expensive proposition to run railroads last year. Taking another railroad at random, the Delaware Lackawanna and Western, we find that revenues last year were some $80 million with operating expenses of $65 million for an operating ratio of some 81% about the industry average.

The relationship of net operating profit to net sales is referred to as the margin of profit and this ratio is frequently used in judging the efficiency of an industrial or utility company. Obviously, the higher the figure in this case, the greater apparent efficiency. For example, the sales of the Atlantic Refining Co. in 1949 were some $446 million with net operating profit of $26 million. The margin of profit was therefore some 5.8%. The Cities Service Co., another company in the same general field, on the other hand had sales last year of $583 million with a net operating income of $87 million for a margin of profit of close to 15%. Again, this figure taken by itself is not an adequate or comprehensive test of a company's efficiency but simply one measure which must be used with many other tests before any acceptable evaluation can be made.

In comparing companies in the public utility field—and also in the industrial field — it is also common to determine just how much of each dollar's revenue comes down to the common stockholder. In other words, how many dollars of gross business must the company do in order to earn one dollar for its stockholders. I don't know if I have ever seen a technical term for this ratio, but it is an important one. The Niagara Mohawk Power Corporation for example last year had total operating revenues of some $139 million of which almost $20 million remained for all of the company's stockholders and approximately $17½ million for just the common shareholders. Dividing 17½ by 139 we obtain the figure of .126 which means that 12.6c remained for the company's common stockholders out of every dollar of total income, or put another way, that in order to earn one dollar for its shareholders, the company had to obtain $12.60 of sales. Comparing this with the Consumers Power Company we find that last year this Company had gross revenues of $93 million of which $11½ million remained for the common shareholders. Coincidentally this gives us almost the same figure—.124—that we found for the Niagara Mohawk Power Corporation.

Unfortunately, here again we cannot make any general rules as to what is an acceptable ratio of net income for common shareholders to total revenues other than to say that the higher the figure the more efficient the company appears to be on the surface at least. We might wish to know why a particular utility brought only six cents out of each dollar of revenue down to its common stockholders but this low figure of itself would not determine whether or not the stock of the utility was a sound investment or whether the company was efficient or inefficient.

(2) Tests for Security Protection: Turning now to the second group of tests which we can make from the profit and loss statement figures we will first examine those which are customarily made in connection with bonds. The information we are seeking here is whether the company is in a position to meet its bond charges and the past performance of the company will be an important—although not an infallible—guide to us. The figure that is usually considered here is the number of times that the company's income available for fixed charges (that is, net income before fixed charges and before income taxes) exceeds its fixed charges. For example, of the Cities Service Co.'s gross income last year of some $582 million, some $97 million was available to meet the company's fixed charges of $21 million. Thus fixed charges were earned 4.6 times (97 divided by 21). The Atlantic Refining Co. on the other hand had some $28 million of income to meet fixed charges of only slightly more than $1 million so that this company's fixed charges were covered some 26 times. In each of these companies the coverage of fixed charges is excellent. But here again it is not easy to give a general rule of what is an acceptable coverage. It differs not only for companies in different industries but also for companies in the same industry depending upon past record and outlook for the future.

The past record of a company with respect to coverage of fixed interest charges is particularly important, for a company must meet its fixed charges in good times and bad and unless it has demonstrated this ability it cannot be said to meet the security pro-

tection test. The number of times that fixed charges should have been covered in preceding years is again a difficult figure to set. However, we might feel reasonably assured if fixed charges had been covered twice over in each of the last 20 years—that is including depressed as well as prosperous periods—or, if we were looking at a period of only relatively prosperous times such as during the past 10 years we might wish to see such charges covered at least three times in each year. We will, of course, not require as high a coverage for a utility whose rates are set to enable it to obtain a fair return on its invested capital as for an industrial company whose revenues are more volatile.

Fixed charges, you will recall from two weeks ago, are an expense which is deducted before the payment of income taxes. In determining the coverage of such charges, therefore, make certain that income taxes have not been deducted from the income available for fixed charges and where an income statement makes such a deduction in its operating expense section as in certain utility and railroad statements be sure to add back these taxes. In this connection, it may be well to point out that you may sometimes see a figure for the number of times that fixed charges have been earned after income taxes. This is supposed to be a more conservative evaluation, as it most certainly is, but since income taxes are computed after fixed charges I do not think the figure is an appropriate one.

The security protection test for a preferred stock is similar to that for bonds — that is, how many times does a company's income available for preferred dividends cover these dividend requirements both at the present time and during preceding years. The preferred dividend requirements of the Atlantic Refining Co., for example, are just under $2 million a year. In 1949, the company's net income *after* income taxes — since preferred stockholders are owners and not creditors and preferred dividends, therefore, are not an expense which may be deducted before income taxes—was some $27 million. Its preferred dividend requirements were covered, therefore, 13½ times (27 divided by 2) a figure which would be considered very good indeed. Moreover, in each of the past ten years the preferred dividend requirements of the Atlantic Refining Co. were covered at least three times over. The American Smelting & Refining Co. in 1949 covered its $3.5 million preferred dividend requirements about 7½ times and in each of the last ten years its preferred dividend requirements have been covered at least 2½ times. The record of both companies in this respect is therefore quite impressive.

As in the case of fixed charges coverage there is probably no general rule we can follow with respect to preferred dividends coverage. What might be considered satisfactory for companies in one industry, for example, the utility industry, might not be at all acceptable for a more volatile industry such as radio manufacturing or department stores. Where a company has more than covered its preferred dividend requirements in good years as well as bad we can probably conclude that it passes this test satisfactorily.

Earnings and dividends are the figures we use in the security protection tests for common stocks. These are usually expressed in terms of per share figures. Where only the total common stock earnings or total dividends are available, these are easily translated to a per share basis by dividing the total figure by the number of shares of common stock outstanding. For example, the net income of the Atlantic Refining Co. last year as we saw was some $27 million. From this figure we first deduct preferred dividend requirements which are a prior charge—in this case some $1,900,000. The balance of net income available for the common stock is, therefore, $25 million which divided by the 2.6 million shares outstanding gives us a per share earnings figure of approximately $9.50. The Company last year paid dividends to its common stockholders of some $5.3 million or $2 a share.

The relationship of per share earnings to the market price of a common stock is known as the "price-earnings ratio." For example, a share of the Atlantic Refining Co. is currently selling at approximately $45. This is just under five times last year's earnings so that we say the stock is selling roughly five times earnings or that the price-earnings ratio is five.

The relationship of dividends to the market price of a common stock is known as the "rate of return," or, if we are dealing with the current market price and dividends, as the "current dividend yield." This figure, as we have seen in an earlier lecture, is determined by dividing the per share dividend by the market price of the stock. For example, based upon the 1949 dividend of the Atlantic Refining Co., the common stock of this company offers a rate of return or current dividend yield of 4.4% ($2 divided by $45).

The record of previous years' earnings and dividends must, of course, be taken together with present earnings and dividends in evaluating common stocks.

In succeeding lectures we shall have an opportunity to examine and apply these security tests and measures for evaluating companies. Perhaps we shall also be able to draw some general conclusions which I have purposely refrained from doing in order to emphasize that each company and each security should be examined individually and that no one measure alone is a satisfactory guide.

Continued from page 6

The Retail Business Outlook

units, miscellaneous retail stores, building material and hardware outlets and home furnishings group. On the other hand, sales of jewelry stores were sharply below calculated, eating and drinking places still had higher than prewar volume, sales of food ran sharply above prewar experience and actual volume of filling stations ran much below calculated. Automotive sales (new and used) were slightly greater (5.3%) than calculated: they exceeded the 3-5% average margin of error.

Sources of Expenditures

The *automotive* section holds special interest for its bearing on general business. It is primarily responsible for the rapid uprush of the durable goods proportion of retail sales, to successive new peaks well above those reached at previous cyclical high points. It thus affects volume in various soft lines.

The year 1949 was the first since 1941 in which retail automotive sales reached their normal relationship to income. They fell moderately short in 1948 and substantially so in 1947 and 1946. The years 1942-45 saw little dealing in cars. For the years 1942-49, inclusive, there is an accumulated theoretical deficiency of $55 billion in automotive spending. Presumably the larger part of this is fictitious, but some sizable fraction may be valid, may indeed be reflected in sales over a considerable further period of time. Larger used-car supplies and more reasonable prices will aid the dollar total of retail sales. Sharp percentage rises this year in automotive sales testify to the vigor of demand. Thus current indications are encouraging as to the automotive contribution to general business and unpromising as to early relief of soft goods sales from heavy automotive competition.

Jewelry sales, off 28.4% from calculated "normal" last year, had their boom in 1946 when marriages were unusually high.

Eating and drinking places in 1949 had sales 11.2% above calculated. This series attained during the war a highly disproportionate level which it has since been gradually losing.

The *food group* of stores represents one of the principal variations from prewar. Up $5.7 billion or 23.3% over calculated last year, the food stores by inference substantially affected other retail trade. There is a case for regarding food expenditures as likely to continue on a higher plane. Population added in the last decade represents about 12.5% of the total; in 1940 it was 6.8%. The youngsters must be fed. Allowing for this, for the fact that per capita unit consumption of food has gained from prewar and for the qualitatively better diets fostered by wider income distribution, current food spending may be pretty well in line with income. Retail sales of food stores in 1949 represented 23.6% of total retail sales against an average of 24.2% in 1935-39 and a 1941 figure of 22.7%. On the basis of prewar patterns, one would have expected the 1949 food percentage to decline much more than .6% from the 1935-39 average, in view of the high rate of durables sales last year. Governmental support of farm prices has added to consumers' bills, but unit consumption of food improves at lower prices. Last year wholesale food prices were off 10% and retail 4%, but total retail sales of food declined only 0.7%. Consumption moves with income rather than with price. A substantial lowering of farm product prices might relieve somewhat any pressure brought by food purchases upon other forms of retail trade.

The *filling station* sales, off 18.5% from calculated, appear to reflect simply the fact that prices for their merchandise have risen substantially less than average. A compilation as of Dec. 15, 1949, based on the 1935-39 average, shows retail prices up as follows: gasoline, 41%; oil, 24%; tires, 16%.

While *apparel* stores in general last year had actual sales only 2.1% in excess of calculated, sales of *women's apparel and accessores* were 14.1% over calculated. The males have been losing ground, and losing. Women's apparel sales soared tremendously earlier, partly through the high employment and incomes growing out of the war. In 1945 their volume got up to an unprecedented high of 4.7% of disposable income, against a 1935-39 average of 3.1%. By the second half of 1949 it was back to the 3.1%, still a little high for a year of heavy volume in durable goods. Deflation in this field in early 1950 has narrowed the excess over prewar pattern.

Department store sales have been running a little above the prewar relationship but their recent backwardness has brought them pretty well into line. In 1946 they were greatly inflated.

Variety store sales last year were almost precisely in line with income; they exceeded calculated normal by 0.3%.

Thus, in general, the retail fields have resumed or are near resumption of their accustomed positions as regards the income stream. The great exception is the automotive group, which appears to have still a backlog and thus far in 1950 is showing a gain of 30% or more. Possibly 1950 will mark the greatest impact of automotive sales on other branches of retail trade. Another deviation is forming in the "appliance and radio" division of the home furnishings group: television sales are extremely hot. Their direct effect on other retail sales is far less than that of automotive vehicles, but their influence on living habits will bear watching.

Conclusion

With abnormalities reduced in number and in degree, one is thrown back on usual considerations affecting the retail outlook. Most fundamental of these is the trend of income, which tends to determine sales. With durable goods sales, owing their vitality to the automotive group, on a basis which in the past has screamed "cyclical peak!" one may entertain fears as to the general business outlook. But the existing situation is unusual. We have never before had such accumulations of liquid assets, and we don't know quite what they mean. Presumably they mean, in conjunction with social security legislation and a governmental attitude which tends to anticipate deflationary threats, that it will be difficult for business declines to snowball. The governmental attitude is implemented with weighty pretexts and/or reasons for large-scale spending, including not only continued slum clearance and arrearage in public works but also the possibilities of stepped-up defense measures, relocation of strategic industry and rearming of Western Europe. If there develops a tapering of automotive demand or of housing, it is by no means certain that general business will be affected as it normally would—gross national product may be well maintained or even increased. This background does not suggest that consumer attitude will turn more cautious or that retail trade will bog down. In fact, a somewhat freer spending attitude is possible, if it becomes clear that deflation of importance is out of the question, or that renewed inflation is a real possibility. In either case, both personal income and total retail spending should do well, short of war or a semi-war footing for the nation. It would seem quite possible for soft goods to improve their position, therefore, following a tapering of durables.

Retail spending in general will be fostered by industrial pensions, once funded, by increasing maturities of savings bonds and by the liberalization of social security.

To Redeem Argentine Bds.

Holders of City of Antwerp external loan sinking fund 5% gold bonds due Dec. 1, 1958, are being notified that $255,000 principal amount of these bonds have been drawn by lot for redemption through the sinking fund on June 1, 1950, at par. The bonds will be redeemed at the head office of The National City Bank of New York.

Gordon Scherck Member of Midwest Stock Exch.

CHICAGO, Ill. — The Board of Governors of the Midwest Stock Exchange have elected to membership Gordon Scherck of Scherck, Richter Company, St. Louis, Mo., it was announced.

With Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Joseph C. Kaufman is with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

Securities Salesman's Corner

By JOHN DUTTON

The current boom in television stocks is a typical example of the way **Fads** in securities have taken hold of the public in recent years. There have been booms before in various industries, but this latest television stock craze has been one of the most dynamic on record. When an idea grips the speculating public with all the intensity of this current boom in television securities, **cash in on it.**

But watch out for the pitfalls. Don't oversell and don't overpromise. Keep customers' commitments in these stocks in line with their general capacity for risk assumption. Even when you open new accounts—do so gingerly. If someone wants to buy 500 shares of a speculative television security sell them less than they want—a hundred or two hundred will do. This is the time to put yourself on record as a conservative investment advisor.

One firm has been advertising "Five Low Priced Television Stocks" in a small, single column ad for the past six weeks. They tell me that at least four or five people have been dropping in off the street to see them as a result of this ad. Other inquiries have flooded their office by phone and mail. They have opened many new accounts in this way. They sell the television stocks, and during the discussion they are given an opportunity to show their new client how careful they are in account supervision. They ask a few questions. They tell their customer that these stocks are highly speculative. They also state that they may make a little money on them—possibly a great deal—but not to go overboard. They impress the new customer with the fact that they want to sell securities, it is true, but never at the expense of the customer's best interest. They also watch out for this pitfall—possibly the stocks they have advertised may go up in price much farther than even the best prospects might justify. For this reason they drive home the point that no one can know how far public psychology may go—**but it is still better to make less and be safe.**

As a result, this firm is opening real accounts. They go back and sell quality stocks and trust shares. They are appraising lists and building the right customer and dealer relationships. The sale of the television stocks is only a minor matter. It is the appetizer before the main meal. Used in this way you can hit the prevailing boom in various groups of stocks hard in your advertising. You will find that timing your offerings to the mood of the public will increase the pulling power of your selling efforts very much.

There is no substitute for good ideas—timed right and carried out with the longer view in mind. The man who buys 50 shares of a low priced, speculative stock from you, may eventually become a star account. It is all up to you—how you sell him, and how well you sell yourself.

Continued from page 11

The Role of U. S. Imports In Restoring World Economy

lars available to Europe through triangular trade. Third, East-West trade within Europe itself has shrunk, so that Western Europe, formerly able to obtain needed agricultural produce from the Eastern European countries in exchange for manufactures, has been obliged to turn increasingly to dollar sources. . . .

"Western Europe's difficulties have been further increased by a rise in prices of primary commodities in relation to prices of manufactured goods. Faced with this shift in the terms of trade, Europe is now obliged to sell a larger volume of manufactures than formerly in order to buy the same volume of foodstuffs and raw materials."

Since 1914 we have pursued a consistent policy of helping Europe. We not only intervened in European wars but we have financed Europe through loans and grants. Our latest undertaking, the European Aid Program is helping Western Europe to weather the difficult post-war period. It has alleviated the food shortage and restored production. With very few exceptions the industrial production of Western European countries is higher than before the war.

Shifts in U. S. Foreign Trade

In considering our international trade and the dollar shortage, we must not overlook the countries outside of Europe which account for a major share of our foreign trade. Our 1949 world trade was distributed as follows:

U. S. EXPORTS AND IMPORTS 1949
(In Millions of Dollars)

	Exports	%	Imports	%
Canada, Newfoundland and Labrador	$1,958	16.3	$1,552	23.4
South America	2,900	24.2	2,445	36.8
Europe	4,115	34.3	925	14.0
Asia	2,218	18.5	1,241	18.8
Oceania	195	1.6	125	1.9
Africa	616	5.1	338	5.1
	$12,002	100.0	$6,626	100.0

In 1949 Asia, Africa and the Far East accounted for 26% of our imports and for 25% of our exports. The Latin American countries accounted for 24% of our exports and for 37% of our imports. We sold more to Venezuela than we sold to any other country excepting Canada, Germany or England. We sold more to Mexico than we sold to Belgium, Holland, Norway or to Sweden.

Our combined imports from Brazil and Cuba exceeded the combined imports from all the European countries. We imported less from England than we imported from Brazil, Colombia, Cuba or Venezuela. We imported from the Netherlands about half of what we imported from the Netherlands Antilles.

COMPARISON OF OUR 1949 EXPORT-IMPORT TRADE WITH LEADING COUNTRIES
(In Millions of Dollars)

Exports to—		Imports from—	
Germany	820	Brazil	551
United Kingdom	700	Cuba	387
Venezuela	518	Venezuela	278
France	497	Mexico	244
Japan	467	Colombia	241
Mexico	462	India	238
Italy	458	United Kingdom	226
Philippines	439	Philippines	206
Brazil	381	Chile	152
Cuba	380	Indonesia	120
Belgium	306	Union of South Africa	116
Netherlands	283	Netherlands Antilles	110
Union of South Africa	266	China	106
India	253	Australia	97
Greece	186	Argentina	97
Colombia	175	Belgium	94
Austria	150	Switzerland	93
Switzerland	142	Japan	81
Australia	142	Italy	71
Chile	142	France	61
Argentina	129	Netherlands	59
Indonesia	124	Turkey	55
Hong Kong	121	Sweden	54
Turkey	120	Germany	45
Denmark	93	Peru	40
Norway	90	Norway	31
Peru	86	Spain	24
Sweden	85	Saudi Arabia	20
Saudi Arabia	84	Iran	16
China	82	Greece	15
Netherlands Antilles	82	Portugal	13
Iran	79		
Portugal	52		
Spain	50		

What steps should other nations take to reduce their dollar shortage without depriving themselves of the raw materials, machinery, consumer goods and foodstuffs which they must or can advantageously buy in the United States? What steps should we take to balance our trade with the world wthout substantially reducing the level of our exports?

Europe Must Increase Exports to U. S.

The most important step is to increase exports to the United States. The European nations have so far failed to substantially increase their sales here. This failure is primarily due to lack of adequate information on the characteristics of American markets and selling technique; to lack of adequate inventories for replacement of stocks sold here; to lack of advertising and other promotional activities; and to lack of marketing in all sections of the United States. Latin American countries have made little effort to diversify their exports to us. They are evidently satisfied with the traditional exports of coffee, sugar, bananas, etc.

Foreign governments must develop a more positive attitude toward exporting to the United States. They must reduce and eventually abolish export controls, increase production, encourage and promote travel and allocate funds for advertising and trade exhibits here.

The First U. S. International Trade Fair which will be held in Chicago in August of this year offers an outstanding opportunity. I understand that most European countries have contracted for space and I hope that they will not be content with merely exhibiting their goods but will extensively advertise and publicize their products before and after the Fair. I also hope that the Latin American countries will avail themselves of this opportunity to promote their sales in the United States, particularly in the Mississippi Valley.

Many governments have recognized the importance of the Midwest. The French Government was the first to appoint a Commercial representative in Chicago 18 years ago. France is today most active in promoting trade with the Midwest. Belgium, Brazil, Denmark, England, Norway and Sweden have in recent years appointed Trade Commissioners in Chicago. Belgium has a permanent exhibit in our city.

Foreign businessmen must personally study United States markets and methods; extend their channels of distribution to all areas of the United States; adequately advertise their products and promote their sales here with the same vigor that we promote our sales abroad.

We must assist other nations in their efforts to earn dollars because these dollars will enable them to buy goods from us. Under the pressure of wartime needs we tremendously expanded our industries and today we find ourselves with over 50% of the world's industrial capacity although we have only 6½% of the world's population. It is obvious that we cannot maintain our present level of production and employment without foreign markets Many of our industries employing and supporting several million people depend to a great extent upon sales to foreigners. Exports are of great importance to many agricultural and industrial sections of our country.

We have reached a point, however, where we will not be able to continue our billion dollar a month exports unless we help other nations, through imports to earn the needed dollars. We must also import to conserve our resources and to stockpile the raw materials which are indispensable to our economy. Our dependence upon foreign sources of supply is increasing as our industrial output grows in volume and variety.

Simplification of Tariffs Needed

We must, therefore remove the obstacles which are hampering our import trade, particularly high tariffs and archaic custom procedure. Our tariffs and customs procedure date back to 1789 when the first tariff was enacted by Congress. Up to the present day 26 tariffs have been incorporated into our law books. In most instances our duties were raised. Although 20 years have passed without the enactment of a new tariff law and import duties were substantially reduced, there are still many imports subject to duties of over 25%. Some duties exceed 100%.

The simplification of United States Custom procedure is an urgent matter. In the 160 years since the first tariff law was enacted, we accumulated a maze of rules and regulations, which influence the movement of goods into the United States. It is generally agreed that the rules and procedures must be simplified without delay.

There is a prevailing opinion among many in this country that imports are detrimental to our economy and employment. This mistaken idea is primarily due to lack of information and understanding. For many years all efforts of our industries and of our government were concentrated on exports. Until recently the Department of Commerce did not have an import section and even today its import activities are inadequate. While there are numerous export organizations in every key city of the country there are only two importers' organizations in the United States: The National Council of American Importers and the Chicago Importers' Association. We must educate our public to the real value of imports and dispell any unfounded prejudices. This can be accomplished by the organization of Importers' groups in the larger cities; by increasing the import activities of the Department of Commerce and its Field Offices and by discussing imports at foreign trade meetings. I am gratified to see the attention given to imports at this important conference.

United States imports have played an important role in the world economy and have helped in the development of many countries in both hemispheres. Today our imports are the foundation of world commerce. They enable other countries to earn the stable money they need to maintain their standard of living, to earn the dollars which they need for purchases of industrial and agricultural necessities here.

Our country, because of our abundance of raw materials, our efficient methods developed by private enterprise, our freedom of trade and economic stability made possible by our democratic society, is the leading country of the world. Our leadership imposes obligations. One of these obligations is to help the world to balance its international trade through our increased imports. By helping others we will also help ourselves.

Continued from page 5

Observations . . .

security, the greater was the relative originating importance of the firms outside of New York City.

So even among the Wall Street's big investment bankers, the sticking to the tried-and-true was fostered.

Ineradicable Memories of 1929-'32

In the 1930s the conservatism of trustees, as well as other investors, was enhanced by, and generated by the 1930-'32 demolition of values. Thus, at the symposium on The Investment of Trust Funds held at Duke University in the summer of 1938, N. Gilbert Riddle typically emphasized the "need for sticking to high grade stocks as well as bonds and preferreds—particularly as a result of 1932." Looking back at 1930-'32 holdings, he concluded "one is justified in saying there was entirely too large an amount of individual trust investments of inferior quality. Since all these accounts had been under the supervision of trust institutions throughout the period of the '20s, there seems little excuse for holding so many weak issues." A typical keynote of the "Never Again!"-philosophy accentuating the attractiveness of the shelter of "respectable" issues.

The post-1929 experience of the commercial banks and of their "affiliates" with securities undoubtedly exerted a sobering effect on trust officers and other fiduciaries. Here the marketability of securities had the effect of highlighting in the public mind their shrinkages relative to those in other assets. For example, the bond portfolios of a sample of 19 liquidated New York State banks were in 1932 sold at an average loss of 37%, whereas their commercial loans and other assets whereon the losses were indeterminable, were probably just as bad. (cf. "The Banking Situation," by Willis and Chapman, Columbia 1934; ch. on Investment Operations of Commercial Banks, by A Wilfred May).

"Blue Chip-ism" in the '40s

The preference for the well-known, conventional, and glamor issues, notably among common stocks, with the playing-down of business-value standards of appraisal, has been further enhanced during the past decade of the '40s. Even in the quite speculative phase of the stock market's rise which has occurred since last October, outside of the extraordinary pyrotechnics in the television sector, the preponderant gains have occurred in the popular seasoned issues, as duPont, General Motors, et al.

The present great degree of psychological escape into conventionalism and the resulting Blue Chip-itis by managers-of-other-people's-money is clearly demonstrated in the portfolios of the mutual funds. Despite their comparative freedom from restraint and their facilities to explore value rather than market factors, the fund managers too have succumbed to self-protection against recrimination, in concentrating in, and compounding the fallacy of, Blue Chip overemphasis.

A study published in one of our previous columns shows that of the common stockholdings of all the trusts, 36½% is concentrated in 50 issues and 12% in the top 10. (cf. "Observations," p. 241, Jan. 19, 1950.)

So even in States following New Hampshire, which in 1949 authorized trustees to invest up to 50% of their principal in investment trusts in the "prudent man manner," trustees will be ending up in "Blue Chip-ism."

In the case of trust investments generally, prevailing "Blue Chip-ism" is enhanced by legal requirements, as in New York, confining them to registered and listed issues. Small wonder that brokers and market forecasters are now so feverishly engaged in naming the comparatively few popular issues which it is hoped New York's "Prudent" trustees will take off their hands at higher prices after July 1 next. (And their identification of the issues will no doubt be largely correct.)

So we shall conclude that the economic results of creating additional equity-money via Prudent Man-ism, will be: (1) An additional increment of buying power as a general bolster to the stock market; (2) channelling of the money into a comparatively small number of already popular issues; (3) a "spilling-over" of buying-power into other market issues; and (4) little satisfaction of the fundamental problem of providing equity capital for new or small business needs.

Continued from page 13

Our Trade Policy Toward Eastern Europe—An Enigma

It behooves us to take careful note of the British-Polish agreement of 1949.

Upon examining the agreement I find that in all the three subsections of Article 5 there is repeated the provision that the Government of the United Kingdom shall facilitate or place no obstacles "in the way of the Polish Government obtaining" and so forth. Article 6 says, "The Government of the United Kingdom shall not prohibit the export to Poland of capital equipment produced in fulfillment of orders based by or on behalf of the Polish Government with United Kingdom firms . . ." Article 9 continues, "The Government of the United Kingdom takes note of the wish of the Polish Government to place orders for capital equipment to the extent of £20 million beyond the current program. They will continue to take whatever steps are open to them in the light of their general export policy to facilitate Polish orders for such capital equipment . . ." Article 19 (a) adds: "The contracting governments agree to refrain from discriminatory action and unnecessary restrictions affecting shipping engaged in international trade."

UK-Polish Agreement

This United Kingdom-Polish agreement of Jan. 14, 1949 will bring about an exchange of goods valued at more than one billion dollars over its five-year period of operation. The United Kingdom not only agrees to furnish capital equipment, but also provides for a revolving credit of £2.5 million, mainly for wool purchases, which was subsequently made available by the Midland Bank; it provides for a revolving credit of £6 million, available to June 1955, applying to orders placed before Dec. 31, 1951. In addition to these credits, in May 1949, a cash credit of £6 million was announced in England.

Upon the signing of the pact, England agreed to release approximately $200 million of Polish assets, and Poland agreed to make an initial deposit of $200 million within a month into a fund to settle her prewar debts, public and private. To compensate British owners for property nationalized in Poland since the end of the War, Poland agreed to deposit approximately 4% of the proceeds from her exports, beginning in 1951. The exact amount of the claims is to be arrived at in discussions.

The 5-year agreements signed with Czechoslovakia in the fall of 1949 also provide for the repayment of Czechoslovak financial obligations to Great Britain, stemming from prewar and war debts as well as from nationalized British property in Czechoslovakia. For the British nationalized or expropriated property, £8 million is to be paid in 10 years, of which £5 million is payable within the first five years. The amount arrived at to cover the debts owing to the British Government and private creditors, stemming from prewar and war debts, is £28 million, of which £10 million is payable in five years from the signing of the agreement. From the total Czechoslovak exports to Britain, £10½ million a year, £3 million is to be set aside for compensation and debt repayment. The remaining £7.5 million of the annual earnings will be used to purchase goods and services from the United Kingdom and the sterling area.

We too have claims, but we prefer to forget them and refrain from trading in order to facilitate our "friendly" neighbors overseas. We even refuse to ship equipment for which over $4 million has been paid to American firms by Poland and over $22 million by Czechoslovakia.

Under the Czechoslovak agreement, the United Kingdom is supplying machinery, cotton yarn, chemicals, medical supplies, totaling £1.5 million each year, and raw materials, mainly rubber, jute, wool, and cotton, totaling £6 million annually. Britain is buying timber, machinery, 25,000 tons of sugar the first year, and a variety of manufactures.

British Trade Up, Ours Down

While Britain's trade with the Eastern Bloc has been increasing between 1946 and 1950, ours has decreased. In 1948 our imports were 2.2% of our total trade, and in 1949 1.7%; and exports made an even worse showing, 1.3% in 1948, and .9% in 1949 of our total trade. This year will show no improvement if trade continues as at present. Yet the countries of Eastern Europe need many more of our goods now than they did before the war because of their extensive industrialization plans which are being realized. Whoever gets the orders for the machinery now, will get the orders for parts for years to come.

Poland's purchases here were cut from $170,535,702 in 1946 to $107,705,200 in 1947, to $55,575,838 in 1948, and to $23,524 000 in 1949. Poland's foreign trade in 1947 with the United States was 10% of her total foreign trade, in 1948 it was only 3%. This is not because Poland's foreign trade is being reduced. The total of Poland's exports and imports increased from $71.8 million in 1945 to approximately $1,000 million in 1948, representing more than twice Poland's foreign trade before the war. In 1949 Poland reports a further increase in her foreign trade of 19.3%, and an increase in imports of 22%. It is interesting to note that 84.6% of her imports in 1949 were capital goods, raw materials and semi-finished goods. The trend in this direction is increasing. Poland says, if we take her money in payment for 1947 contracts for industrial equipment and do not permit the goods to be shipped, nor permit her to buy the capital equipment here, she will buy her cotton and other needs elsewhere. And she is doing so.

Purchases From Poland

Before the war when Poland bought over $25 million of goods from us, we purchased from Poland over $13 million worth. Yet in 1947 our purchases were $1.3 million, in 1948 $1.2 million, and in 1949 $3.3 million. Poland has products to sell us' cheaply and shrewd businessmen go there and strike hard bargains. Among these products are dried mushrooms, ham. Christmas tree ornaments, cut glass, and other glassware and china, furs, feathers, and so on. Poland makes a better vodka than Russia, which someone should popularize here.

Czechoslovakia, unlike Poland, managed to almost balance purchases and sales in United States trade in 1948 and 1949. Each of these years Czechoslovakia imported less than half of the American goods she purchased in 1947, when United States exports to Czechoslovakia totaled $49 million.

The Soviet Union's purchases here dropped from $149,068,640 in 1947 to $27,800,339 in 1948, and to $6,617,000 in 1949. In other words Soviet purchases here in 1949 fell to about 4/100ths of what they were in 1947. We have come to a peculiar situation in our trade with Russia. Normally we export much less than we buy. In 1948 we purchased almost three times more than we sold, and in 1949 we bought six times more than our exports. We thus gave Russia dollars to bargain with elsewhere.

Hungarian purchases in 1949 fell to one-half of the 1947 purchases, and Rumanian to about one-fifth during the same period. As in the case of Poland, our purchases in Hungary are a fraction of her purchases here. For example, she bought in 1947, 1948, and 1949, $12.9 million, $7.4 million and $5.4 million of American goods, while we purchased in Hungary during the same years, $1.5 million, $1.6 million, and $1.7 million goods. Our average purchases during 1936 to 1938 were $4.2 million annually.

Rumania bought goods valued at $15 million, $7.5 million, and $3.2 million in the years 1947, 1948 and 1949, while we purchased less than $½ million worth in 1947 and 1948 respectively, and $584,000 in 1949. Before the war our average imports for the years 1936 to 1938 were $3.3 million annually.

We must increase our purchases in Eastern Europe if we expect a continued market there. While I was in Europe this year, Americans purchased from Hungary quantities of paprika, pyridine, rush bags, 50,000 pounds of feathers for $86,485, bric-a-brac, chinaware, drugs, technical gelatine, and glassware. The total for the month of February came to $145,176. Hungary can sell excellent sausage, wines and liqueurs, furs, paper and wood products.

Some importers and exporters, as I have already indicated, go to Poland, Czechoslovakia, Hungary, and Bulgaria to make deals on the premises. In Eastern Europe the sellers and the buyers are mainly the government agencies. There are cooperatives too, in Poland, Czechoslovakia and Hungary doing exporting and importing. These are mainly in the agricultural field. Some of the state agencies, like Warimex in Poland, publish a bulletin containing the products they have to sell and what they are ready to buy. Ferunion in Hungary does likewise. There is a "Yearbook of the Foreign Trade of Poland 1948." which is worth examining. You can probably obtain a copy from Mr. Z. Litynski, Commercial Counsellor of the Polish Government, 2224 Wisconsin Avenue, N. W., Washington, D. C.

Hungary publishes a book six times a year, entitled, "Hungarian Foreign Trade." In this case it would be best to address Hungarian Foreign Trade, 31 Bajcsy-Zsilinsky-ut., Budapest, Hungary, and send a copy of the request to Minister Imre Horvath, Hungarian Minister, 2117 LeRoy Place, Washington, D. C. For Czechoslovak foreign trade opportunities and publications, one should address Dr. Karel Fink, Commercial Attache, 6 East 67th Street, New York City. It is probably needless to add that Amtorg, at 210 Madison Avenue, New York City, represents the Russian trading agencies.

While the agents here can be helpful, to strike a hard bargain, it is always best to go to the premises. If you plan to go there, applications for visas should be made a few months in advance of one's prospective trip. It is always good to remember that a transit visa can sometimes be obtained without delay or difficulty if you have a visa for an adjacent country. And when you get there, if the country wants you, your visa can easily be extended.

You will find that it is easier to deal with Poland, Czechoslovakia, and Hungary than with Russia. The more culturally westernized are the habits of a nation, the simpler it is to conclude business transactions.

Let me not give the impression that I do not see the importance of increasing our purchases from Western Europe also. I think we should buy more from these countries, but we must not forget that in Eastern Europe we have a market willing to buy our goods even if it results in an unfavorable balance, provided only we show some good will in trading.

With respect to all trade our own Department of Commerce can be helpful, but we must get in the habit of contacting foreign commercial representatives, especially where the state is the purchaser and seller.

Let me conclude with a statement made by Senator Leverett Saltonstall at a Convention in 1948:

"We must never forget that government is our servant—not our master. I personally am one of those who feel that we should do business behind the iron curtain if we can without in any way compromising our ideals or without relinquishing any of the rights we have gained through our fighting efforts. If we do this trading, ultimately we may hope and pray for better relations with the peoples of those nations. It may well be that the world will have to continue to resort to the old barter system of trade in some instances for some time to come . . . the future of freedom-loving people depends on mutual understanding, mutual trade and mutual exchange of ideas with one another."

We did not become Communists by trading with Russia between 1923 and 1939. We will not become Communists by trading with all of Eastern Europe in 1950. We have seen that export controls have not kept these countries from getting what they want. They have succeeded in giving trade to other countries and in creating a black market. We need the trade and should get our share of it.

Morgan Stanley Group Underwrites Offering of Peninsular Tel. Stock

Peninsular Telephone Co., of Tampa, Fla., is offering to holders of its common stock rights to subscribe at $40 per share for 50,938 shares of additional common stock at the rate of one share for each five shares held. The subscription warrants expire on May 16, 1950. Certain officers and employees of the company may subscribe pro rata at the subscription price to common stock not taken by the stockholders. The offering is being underwritten by Morgan Stanley & Co. and Coggeshall & Hicks, together with G. H. Walker & Co.

Proceeds of the sale will be used by the company for general corporate purposes, including betterment and expansion of plant and facilities. In furtherance of an improvement and expansion program undertaken several years ago, construction estimated to cost approximately $5,700,000 is scheduled in the company's budget for the present year. The expansion was made necessary by a rapid growth in the demand for telephone service in the company's territory.

As of March 31, 1950 the company had 143,268 telephones in service compared with 84,253 at the end of 1945. Operating revenues amounted to $8,255,956 and net income was $1,406,431 in 1949.

Joins Morfeld, Moss Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Earl H. C. Lurkins has become affiliated with Morfeld, Moss & Hartnett, 721 Olive Street.

First Boston Group Underwrites N. Y. State Elec. & Gas Offering

New York State Electric & Gas Corp. (having split its common stock on a two-for-one basis on March 28, 1950) on April 27 offered its common stockholders the right to subscribe for 272,380 additional shares of no par common stock, at a price of $25.50 per share. Stockholders will be entitled to subscribe on the basis of one new share for each seven shares of common held of record at the close of business April 27. Transferrable subscription warrants will expire at 3 p.m. (N. Y. time) May 12, 1950.

The First Boston Corp. heads an investment banking group composed of Lehman Bros., Wertheim & Co. and Merrill Lynch, Pierce, Fenner & Beane which has agreed to underwrite the unsubscribed shares.

Proceeds from the sale of the stock will be applied to the financing of the company's construction program, estimated to cost $55,800,000 in the three years period ending in 1952, of which $20,000,000 will be spent this year. Chief among the new projects are a 44,000 KW addition to the Greenidge Station and a 35,000 KW addition to the Jennison Station expected to be in operation by July 1950; and a 75,000 KW addition to the Goudey Station, expected to be completed in the fall of 1951. A new 50,000 KW generating unit for installation in 1952 has been ordered for the Hickling Station.

Doyle President of Baltimore Cashiers

BALTIMORE, Md.—The Cashiers Association of Investment and Brokerage Houses in Baltimore elected Harry J. Doyle, Mead, Miller & Co., President. Other officers elected were W. Whitridge Laudeman, Baker, Watts & Co., Vice-President; William G. Mannion, Jr., Harry M. Sheely & Co., Treasurer, and Charles A. Dugent, John C. Legg & Co., Secretary.

Joseph L. Lau, Auchincloss, Parker & Redpath, retiring President, and Robert F. Duer, Jr., Mercantile Trust Company, were named to the board of governors.

The Nominating Committee was headed by J. Harry Feltham, Robert Garrett & Sons.

FIC Banks Place Debs.

A successful offering of two issues of debentures of the Federal Intermediate Credit Banks was made April 18 by M. G. Newcomb, New York fiscal agent for the banks. The financing, totaling $87,795,000, consisted of $43,060,000 1.30% consolidated debentures due Nov. 1, 1950, and $44,735,000 1.35% consolidated debentures due Feb. 1, 1951. Both issues were dated May 1, 1950, and were placed at par. Of the proceeds, $64,925,000 was used to retire a like amount of debentures maturing May 1, 1950, and $22,870.000 is "new" money. As of the close of business May 1, 1950, the total amount of debentures outstanding amounted to $505,755,000.

With Barrett Herrick

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Elmer B. McKean has become associated with Barrett Herrick & Co. Inc., 418 Locust Street.

Joins Pacific Northwest Co.

(Special to The Financial Chronicle)

PORTLAND, Ore. — Robert A. Daggett is with the Pacific Northwest Co., Wilcox Building.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The market is slowing being squeezed between two millstones of support and distribution and my guess is that little of importance will happen in the next two weeks. So if you've thought about taking a vacation this is as good a time to take it as any I know.

* * *

Briefly the recent history of the market is something like this: Various groups become active in the morning and just as soon as one gets up enough courage to get in, these same groups back away and new ones come to the fore. This same picture that can be seen intra-day is repeated daily but on a larger scale. The prime example now is the television group. When that group started up all the latent romance always underlying new industries started to come to the fore with new buyers attracted in the latter portion of their recent moves.

* * *

The old line stocks haven't been stand-offish in their behavior either. They too have acted like the Johnny-Come-Latelys. All in all it's rapidly becoming a harder market to gauge and so by the same token a harder one in which to make a profit.

* * *

If you're a Dow theorist you know that the much maligned rails have yet to reaffirm the bull trend the rest of the market is supposed to be enjoying. Under old conditions such a refusal might be ominous. Today it means that the reaffirmation has been delayed. It would not be surprising to see the rails go up and through the 56/61 figure, perhaps even before this column reaches your hands. But even if it does I'll venture to say that instead of it becoming the all-encompassing bull signal it may well be the beginning of a top formation that will precede a major relapse. I might add that I have no firm convictions on the trend one way or another. I'm just throwing in the preceding sentence for you to mull over.

* * *

I have a communique from a reader who gives me a pat on the back and then glowingly describes the future of Wisconsin Central Railway 4s of 1936 bonds. In the ramifications he points out these bonds have $1,000 back interest and are selling at $47\frac{3}{4}$. The prognostication is that through a preferred stockholders committee it will take the "company out of bankruptcy and file under the Mahaffie Act" and from then on (assuming the committee gets its own people on the board) the bonds would be worth more.

I pass this on with no comment.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

With Hamilton Managem't

(Special to The Financial Chronicle)

DENVER, Colo. — Franklin M. Stokes has become associated with Hamilton Management Corp., Boston Building.

With King Merritt Co.

(Special to The Financial Chronicle)

DENVER, Colo. — William R. Hitztaler has been added to the staff of King Merritt & Co., Inc., U. S. National Bank Building.

Peters, Writer Co. Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Fred P. Blume is with Peters, Writer & Christensen, Inc., 724 Seventeenth Street.

Fee Secretary of Am. Car & Foundry

C. Allen Fee has been elected Secretary of the American Car & Foundry Co., effective May 1, 1950, succeeding Howard C. Wick who is retiring after 45 years of service, the last 34 as Secretary.

C. Allan Fee

Mr. Fee was born and educated in Jersey City, N. J., and entered the employment of ACF in 1915, being elected Assistant Secretary in 1938, holding this position until his election as Secretary.

Kuhn, Loeb & Co. Places Gen. Am. Trans. Equips.

On May 2, General American Transportation Corp. announced that it has negotiated through Kuhn, Loeb & Co. the sale of $8,586,000 equipment trust certificates, series 46, to a small group of institutions.

Of the total, $4,320,000 was delivered on Dec. 1, 1949, and the balance of $4,266,000 principal amount on May 1, 1950.

The certificates will mature serially in quarterly installments to and including Dec. 1, 1969. Maturities to and including Dec. 1, 1957, bear dividends at the rate of $2\frac{5}{8}$%, and the balance at a rate of $3\frac{1}{8}$%.

The new equipment covered by the trust consists of 600 refrigerator cars, 338 tank cars and 23 hopper cars.

K. E. Goodman & Co. Succeeds Heronymus Co.

SHEBOYGAN, Wis.—Announcement is made of the change of the corporate name of Heronymus & Co., Inc., to Kenneth E. Goodman & Co. Offices are maintained in the Security National Bank Bldg., Sheboygan, and the Manitowoc Savings Bank Bldg., Manitowoc, Wis. Officers of the firm are Kenneth E. Goodman, President; Earl O. Vogel, Vice-President; Edward R. Mayr, Secretary-Treasurer; and William E. Nelson, Cashier.

K. E. Goodman

With Olson, Donnerberg

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Charles R. Ewing is with Olson, Donnerberg & Co., Inc., 418 Olive Street.

NSTA Notes

AD LIBBING

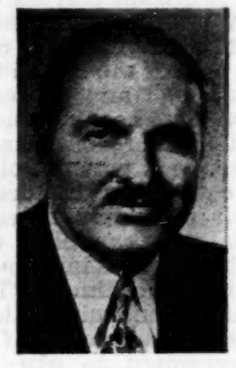
Don "Say it with Roses" Sloan, of Donald C. Sloan & Co., Portland, Oregon, our National 1st Vice-President, is indeed an outstanding member (Vice-Chairman) of your National Advertising Committee.

The Seattle convention in 1946 brought many of us to Portland and under the capable leadership of Don Sloan, the City of Portland, was inscribed in our memories as one of the most beautiful and picturesque cities of the world.

We like to mention, Don's latest job in Public Relations was flying roses to Paris. He is an Ambassador of Roses and good will.

We hope he can assist us with our 1950 Convention Yearbook advertising in his spare moments as he realizes, as do our National officers, the importance of our Committee.

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Co.
120 Broadway, New York City



Donald C. Sloan

K.I.M.—Corporate ads pay dividends.

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold its spring outing at the Country Club of Maryland, Baltimore, on May 19.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Summer Outing of the Investment Traders Association of Philadelphia is scheduled for June 16 at Whitemarsh Country Club.

PITTSBURGH SECURITIES TRADERS ASSOCIATION

The Pittsburgh Securities Traders Association will hold its Fourth Annual Outing at the Highland Country Club on Friday, May 27. Golf and LaBocci will be featured, and a special entertainment will follow dinner. Subscription is $7.50; reservations should be made with A. E. Tomasic, Thomas & Company. Frank M. Ponicall, Jr., Singer, Deane & Scribner, is in charge of the outing and a special event planned.

SAN FRANCISCO SECURITIES TRADERS ASSOCIATION

The Annual Spring outing of the San Francisco Security Traders Association will be held June 10 and 11 at the Diablo Country Club, Contra Costa County, California.

Halsey, Stuart Group Offers Public Service El. & Gas $2\frac{3}{4}$% Bonds

Halsey, Stuart & Co. Inc. and associates are offering $26,000,000 principal amount of Public Service Electric & Gas Co. first and refunding mortgage bonds, $2\frac{3}{4}$% series due 1980, at $101\frac{3}{4}$% and accrued interest. The bonds were awarded to the underwriting group at competitive sale May 2 on a bid of 101.27%.

The utility plans to apply the proceeds from the sale of these bonds to the redemption on or about July 14 of the $26,000,000 principal amount of first and refunding mortgage bonds, $3\frac{1}{4}$% series due 1966, at 103% and accrued interest.

During 1949 the company sold $100,000,000 of new securities consisting of $75,000,000 principal amount of first and refunding mortgage bonds, $2\frac{7}{8}$% series due 1979, and $25,000,000 par value of 4.08% cumulative preferred stock. During this period, the company retired, or provided for the payment of, $73,382,000 principal amount of obligation consisting of $34,382,800 principal amount of prior lien bonds, $18,000,000 of $1\frac{3}{4}$% bank loans, $20,000,000 of $2\frac{1}{4}$% bank loans, and $1,000,000 principal amount of 3% debenture bonds due 1963, the last having been retired through operation of the sinking fund.

The company's current construction program, as of the 1949 year-end, anticipates the expenditure of $58,908,000. Of this total, the company estimates that $42,000,000 has been or will be expended during 1950 and the major portion of the balance will be expended during 1951. The company believes that no financing will be necessary to complete this construction program.

Under terms of the offering, so long as any of the new bonds are outstanding, the company will be obligated to pay to the trustee, on each April 25 commencing in 1951, for a sinking fund, an amount sufficient to retire $260,000 principal amount of the new bonds on the following May 1 at the special redemption price then in effect.

The new bonds will be subject to redemption prior to maturity at regular redemption prices ranging from 104.75% to 100%. Special redemption prices range from 101.75% to 100%.

Video Stock Offering By Tellier Completed

Tellier & Co. on May 2 announced that its offering of 747,500 shares of Video Corp. of America common stock at 40 cents a share has been oversubscribed and the books closed.

Proceeds from the sale of the shares will be used for working capital and for the purchase of additional equipment and component parts, as required for necessary expansion of operations.

Video Corp. of America was organized in October, 1948 for the purpose of manufacturing television receivers and accessories. The corporation presently is engaged in manufacturing and selling home television receivers using 16-inch and 19-inch picture tubes in table, console and consolette models. The company also is placing bids for governmental orders for certain electronic products.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	May 6	100.2	100.3	96.8	97.3
Equivalent to—					
Steel ingots and castings (net tons)	May 6	1,910,100	1,912,000	1,845,300	1,793,700
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	April 22	5,026,100	4,998,800	4,848,100	4,973,250
Crude runs to stills — daily average (bbls.)	April 22	‡5,266,000	5,116,000	5,469,000	5,188,000
Gasoline output (bbls.)	April 22	17,652,000	16,820,000	17,839,000	17,595,000
Kerosene output (bbls.)	April 22	1,872,000	2,044,000	2,338,000	1,915,000
Gas, oil, and distillate fuel oil output (bbls.)	April 22	7,167,000	6,767,000	6,870,000	6,087,000
Residual fuel oil output (bbls.)	April 22	7,688,000	7,541,000	8,171,000	8,246,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	April 22	131,266,000	133,458,000	135,406,000	124,749,000
Kerosene (bbls.) at	April 22	12,433,000	12,686,000	12,950,000	18,361,000
Gas, oil, and distillate fuel oil (bbls.) at	April 22	37,121,000	37,499,000	40,086,000	49,775,000
Residual fuel oil (bbls.) at	April 22	39,767,000	39,881,000	42,546,000	59,617,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	April 22	722,644	707,272	717,233	769,347
Revenue freight received from connections (number of cars)	April 22	645,920	628,813	672,895	617,297
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	April 27	$219,148,000	$185,708,000	$258,901,000	$145,936,000
Private construction	April 27	124,212,000	105,753,000	155,521,000	59,077,000
Public construction	April 27	94,936,000	79,955,000	103,380,000	86,859,000
State and municipal	April 27	88,113,000	67,800,000	71,419,000	71,465,000
Federal	April 27	6,823,000	12,155,000	31,961,000	15,394,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	April 22	11,145,000	*11,360,000	12,510,000	11,516,000
Pennsylvania anthracite (tons)	April 22	738,000	778,000	1,138,000	802,000
Beehive coke (tons)	April 22	119,400	115,600	93,600	147,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	April 22	279	*254	279	266
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	April 29	5,902,168	5,845,636	5,911,936	5,303,841
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	April 27	186	188	198	204
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	April 25	3.837c	3.837c	3.837c	3.749c
Pig iron (per gross ton)	April 25	$46.38	$46.38	$46.38	$46.57
Scrap steel (per gross ton)	April 25	$29.58	$28.92	$28.58	$22.92
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	April 26	19.200c	19.200c	18.200c	19.700c
Export refinery at	April 26	19.425c	19.425c	18.425c	19.925c
Straits tin (New York) at	April 26	76.750c	77.000c	77.500c	103.000c
Lead (New York) at	April 26	11.000c	10.500c	10.500c	15.000c
Lead (St. Louis) at	April 26	10.800c	10.300c	10.300c	14.800c
Zinc (East St. Louis) at	April 26	11.000c	10.725c	10.000c	13.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 2	102.71	102.75	103.08	101.62
Average corporate	May 2	116.02	116.22	116.22	113.12
Aaa	May 2	121.04	121.04	121.25	119.00
Aa	May 2	119.61	119.61	119.82	117.40
A	May 2	115.63	115.82	115.82	112.19
Baa	May 2	108.70	108.70	108.88	105.00
Railroad Group	May 2	111.25	111.44	111.62	108.16
Public Utilities Group	May 2	117.00	117.00	117.20	114.08
Industrials Group	May 2	120.02	120.22	120.22	117.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 2	2.30	2.29	2.27	2.38
Average corporate	May 2	2.85	2.84	2.84	3.00
Aaa	May 2	2.60	2.60	2.59	2.70
Aa	May 2	2.67	2.67	2.66	2.78
A	May 2	2.87	2.86	2.86	3.05
Baa	May 2	3.24	3.24	3.23	3.45
Railroad Group	May 2	3.10	3.09	3.08	3.27
Public Utilities Group	May 2	2.80	2.80	2.79	2.95
Industrials Group	May 2	2.65	2.64	2.64	2.78
MOODY'S COMMODITY INDEX	May 2	369.9	369.1	356.2	344.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	April 22	193,646	171,468	186,128	156,946
Production (tons)	April 22	211,568	193,925	210,897	159,884
Percentage of activity	April 22	93	88	95	77
Unfilled orders (tons) at	April 22	356,134	379,118	355,062	268,820
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	April 28	120.8	121.0	121.6	133.0
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	April 15	36,065	25,262	28,413	16,203
Number of shares	April 15	1,123,297	770,822	830,869	464,878
Dollar value	April 15	$44,370,358	$30,239,610	$35,514,604	$19,266,747
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	April 15	42,246	28,801	31,491	15,379
Customers' short sales	April 15	251	167	181	183
Customers' other sales	April 15	41,995	28,634	31,310	15,196
Number of shares—Customers' total sales	April 15	1,222,027	812,260	870,826	408,517
Customers' short sales	April 15	8,900	6,237	6,677	7,227
Customers' other sales	April 15	1,213,127	806,023	864,149	401,290
Dollar value	April 15	$43,465,265	$28,677,102	$32,497,863	$15,350,080
Round-lot sales by dealers—					
Number of shares—Total sales	April 15	406,100	261,850	262,550	133,440
Short sales	April 15	------	------	------	------
Other sales	April 15	406,100	261,850	262,550	133,440
Round-lot purchases by dealers—					
Number of shares	April 15	311,270	243,750	267,600	171,700
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	April 25	153.7	152.2	152.1	155.6
Farm products	April 25	160.8	157.5	158.5	167.2
Grains	April 25	170.9	169.6	167.3	162.6
Livestock	April 25	204.8	194.4	199.2	194.9
Foods	April 25	157.8	155.0	155.9	161.5
Meats	April 25	222.9	212.2	213.9	222.3
All commodities other than farm and foods	April 25	146.5	146.1	145.6	148.0
Textile products	April 25	135.3	135.6	136.1	141.8
Fuel and lighting materials	April 25	130.7	130.5	130.5	131.3
Metals and metal products	April 25	170.3	170.0	169.6	170.1
Building materials	April 25	194.3	193.8	192.9	196.2
Chemicals and allied products	April 25	117.0	117.2	116.6	118.2

*Revised figures ‡Includes 366,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of March (in millions):			
Total new construction	$1,500	*$1,395	$1,267
Private construction	1,125	*1,068	951
Residential building (nonfarm)	620	*590	420
Nonresidential building (nonfarm)	243	246	262
Industrial	69	70	96
Commercial	74	75	79
Warehouses, office and loft buildings	22	25	25
Stores, restaurants and garages	52	50	54
Other nonresidential buildings	100	101	87
Religious	27	28	24
Educational	19	20	20
Hospital and Institutional	25	24	11
Social and recreational	16	17	19
Remaining types	13	12	13
Farm construction	19	12	18
Public utilities	243	*220	251
Railroad	25	23	27
Telephone and Telegraph	46	41	57
Other public utilities	172	156	167
Public construction	375	*327	316
Residential building	24	*20	10
Nonresidential building (other than military or naval facilities)	151	140	122
Educational	78	75	64
Hospital and institutional	44	40	31
All other nonresidential	29	25	27
Military and naval facilities	9	9	9
Highways	70	*50	68
Sewer and water	47	44	42
Miscellaneous public service enterprises	9	7	8
Conservation and development	50	45	45
All other public	15	12	12
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of March:			
New England	$23,255,763	$8,163,678	$16,422,754
Middle Atlantic	87,859,715	92,900,340	68,956,623
South Atlantic	47,509,445	35,068,782	26,727,236
East Central	88,108,955	53,699,662	61,213,937
South Central	74,909,557	76,003,349	44,758,058
West Central	31,135,301	13,780,829	20,739,274
Mountain	12,141,135	9,393,887	8,929,708
Pacific	83,973,783	54,111,051	78,042,514
Total United States	$448,893,654	$343,121,578	$325,790,104
New York City	48,240,730	67,454,496	38,089,095
Outside of New York City	400,652,924	275,667,082	287,701,009
BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of March:			
Manufacturing number	206	170	215
Wholesale number	116	100	102
Retail number	402	399	366
Construction number	86	73	77
Commercial service number	74	69	87
Total number	884	811	847
Manufacturing liabilities	$12,241,000	$7,905,000	$17,075,000
Wholesale liabilities	3,317,000	4,166,000	5,034,000
Retail liabilities	7,859,000	6,386,000	7,269,000
Construction liabilities	2,777,000	1,824,000	3,018,000
Commercial service liabilities	1,706,000	1,875,000	4,792,000
Total liabilities	$27,900,000	$22,156,000	$37,188,000
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of March	898,228	739,438	721,378
In consuming establishments as of Mar. 31	1,881,498	1,825,791	1,560,787
In public storage as of March 31	8,302,175	9,228,737	6,682,706
Linters—Consumed month of March	155,824	127,662	133,706
In consuming establishments as of Mar. 31	360,265	342,881	358,457
In public storage as of March 31	73,861	65,453	110,170
Cotton spindles active as of March 31	20,340,000	20,417,000	20,427,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on March 31	23,188,000	23,264,000	23,787,000
Spinning spindles active on March 31	20,340,000	20,417,000	20,425,000
Active spindle hours (000's omitted) March	11,130,000	9,181,000	8,922,000
Active spindle hrs. per spindle in place Mar.	472	496	393
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of March (000's omitted)—			
Ordinary	$1,489,000	$1,207,000	$1,352,000
Industrial	490,000	433,000	433,000
Group	434,000	695,000	439,000
Total	$2,413,000	$2,335,000	$2,224,000
METAL OUTPUT (BUREAU OF MINES)—Month of February:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	67,478	*71,464	61,783
Gold (in fine ounces)	172,016	*166,811	162,417
Lead (in short tons)	34,526	*36,007	33,669
Silver (in fine ounces)	3,202,408	*3,181,880	2,840,833
Zinc (in short tons)	46,170	*44,113	48,657
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of February (000's omitted):			
Savings and Loan associations	$312,161	$308,052	$223,906
Insurance companies	89,962	94,584	67,987
Banks and Trust companies	204,269	214,863	160,871
Mutual Savings banks	57,104	64,593	46,020
Individuals	157,633	163,713	152,070
Miscellaneous lending institutions	181,961	178,195	105,636
Total	$1,003,090	$1,024,000	$756,490
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) Month of January:			
Net railway operating income	$32,761,905	$69,309,849	$33,776,213
Other income	18,732,815	61,066,963	18,282,019
Total income	51,434,720	130,376,812	52,058,232
Miscellaneous deductions from income	3,676,455	6,744,296	3,623,936
Income available for fixed charges	47,818,265	123,632,516	48,434,296
Income after fixed charges	14,246,595	88,524,917	15,598,142
Other deductions	3,230,886	6,069,468	3,153,638
Net income	11,015,709	82,455,449	12,444,504
Depreciation (way & structures & equip.)	34,790,292	34,683,574	32,667,776
Amortization of defense projects	1,383,490	1,465,519	1,380,527
Federal income taxes	16,706,467	12,592,286	18,445,995
Dividend appropriations:			
On common stock	5,504,169	18,236,152	4,549,767
On preferred stock	4,046,433	9,019,743	9,672,39[illegible]
Ratio of income to fixed charges	1.42	3.52	1.48
STEEL CASTINGS (DEPT. OF COMMERCE)—Month of February:			
Shipments (short tons)	91,827	88,821	135,042
For sale (short tons)	62,045	57,996	99,425
For producers' own use (short tons)	29,782	30,825	35,617
Unfilled orders for sale at end of month (short tons)	165,186	142,484	320,202

*Revised figure.

Continued from page 4

The Outlook for Insurance Stocks

ture buying power by consumers and borrowers on urban mortgages. The prevailing low prices for equities in relation to earnings and dividends after such an extended "boom" may, we suggest, reflect merely the resolution of investors not to be "caught" again capitalizing abnormal earnings and dividends as normal as in 1929 and 1937. The market in other words, in appraising present earnings and dividend rates cheaply, may be taking only a properly realistic view of the temporary nature of the recent large profits of many corporations. Conversely, many stocks may sell appreciably above present prices because the growth of the country and certain industries—**insurance, specifically** — in the last decade have been such as to establish normal earning power on a permanently higher. plateau.

Past Prices Not Good Criterion

Past price levels are a definitely inadequate criterion of intrinsic values. If the Ford Motor Company could deliver a 4-door Sedan today, with a radio and heater installed, for—say—$1,500 instead of the $1,900 plus such a car actually costs, the price still would look fantastically high in relation to the price you'd have paid for a Ford with the same equipment 20 years ago. But the Ford at $1,500 would be such an outstanding value **relative to prevailing prices for other cars,** buyers would stand in line. Insurance stocks, similarly—on a yield basis—represent an enormously better value today yielding 4%, relative to the 3.82% yield available from high-grade preferred stocks, than they were in 1935, when the average yield on the preferreds which make up the Standard & Poor's Index was 80 basis points **above** the concurrent yield on insurance stocks, instead of 18 basis points **less** as at present. And this shift in yields in favor of insurance stocks has occurred notwithstanding that in 1935 the insurance companies were distributing 83% of their investment income in dividends, whereas today the pay-out is only 62%.

Stocks are not necessarily overvalued because prices are high in relation to the past, **if the permanent growth of the business, the enhancement of normal earning power and dividend-paying capacity, and increase in the intrinsic value of the equity behind the stocks,** have been such as to warrant the higher prices.

Furthermore may I throw out this idea—and though I advocate this principle in support of my thesis that most insurance stocks currently represent fine investment values relative to other forms of wealth, the merit of this idea (if any) obviously extends to other high-quality equities. In any event, after a prolonged boom, when business remains so good that substantial gain in the aggregate out-put is hard to visualize—when even prolonged maintenance of production at the present favorable level hardly can be taken for granted—ought not the stocks of strong old organizations like our insurance companies, with stable earning power and good growth characteristics, command a much more substantial premium than normally, over the equities of companies subject to sharp cyclical fluctuations?

While on this general subject of quality as related to stock prices, and before turning to consideration of the internal influences affecting insurance stocks specifically, I would like to urge your consideration of the extent to which insurance stocks are more **immune** from cyclical economic changes than most other equities.

Insurance Not Subject to Cyclical Fluctuations

Such comparative immunity stems in the first instance from the immutable fact that the **essential need for insurance continues in bad times as well as good.** In past periods of declining business activity this continuing need for insurance has represented an important factor of safety and stability to insurance-company stockholders. Probability of any cataclysmic decline in the sale of fire and casualty insurance coverage is mitigated by the fact that the **need for insurance is influenced not nearly so largely by the economic prosperity of any given period, as by the aggregate value of the accumulated wealth of the country**—which needs to be insured, obviously, when national income is declining as well as when the nation is prosperous.

The absence of any competitive product or service similarly eliminates certain of the investment risk inherent in most industries, due to technological progress and changes in the prices of competitive products. (Steel may meet increasing competition from the light metals and plastics, or cheap natural gas may take over the market from high-priced coal.) This type of investment risk however—inherent in an advancing technology—is virtually eliminated from insurance stocks as any substitute for insurance is difficult to conceive.

Insurance stocks acquire a further element of protection from economic adversity through the **great variance of risks insured against, and the extremely diverse sources from which insurance companies draw their premium income.** Practically every business and an overwhelming majority of the family units of the country pay tribute to the fire and casualty companies. Seldom if ever does the underwriting experience on **all** important categories of risks become unprofitable at the same time; invariably, certain insurance lines are producing profits although other coverages may be unprofitable.

Insurance Regulation Helpful

Regulation furthermore—while often considered evil and detrimental to the profit potentialities of investments—is not at all an unmitigated plague. Regulation, when the "going" gets tough, can be the guardian angel of investors. One thing much more embarrassing than an increase in premium rates, to Insurance Commissioners, is an insurance company insolvency. One of the reasons you don't encounter any prolonged period of unprofitable underwriting experience is because regulatory officials vested with authority to supervise the workings of insurance have sense enough to know that **any** political or economic alternative is preferable to jeopardizing the financial health of insurance institutions on which a large percentage of the nation's population depend for much of their own financial security.

These attributes of insurance stocks which afford broad investment protection are reflected in such facts that whereas the market as a whole—as measured by the Standard & Poor's 90 Stocks—is still about 4% below the 1937 highs, fire insurance stocks are 44% above their best prices of 1937 and casualty stocks, collectively, are 47% above 1937 highs. Over a shorter period — from the 1946 highs—the Standard & Poor's Index of 90 Stocks is still 6.7% lower, but fire insurance stocks are above the 1946 peaks by 11% and casualty stocks —which were above the 1946 highs until a few days ago—are now below such tops by a couple tenths of 1%.

The elements of long-term investment safety implicit in such price comparisons will be recognized by institutional and fiduciary investors, I think, when and if such buyers turn more largely to the purchase of common stocks, a trend which appears to be developing. The managers of expanding pension funds, and trustees which will be able to invest 35% of legal trusts under the "Prudent Man rule" in New York State after July 1 of this year, are likely to show a strong predilection, I think, for common stocks of companies which have been able to maintain dividends throughout recessions and depressions, and which have proven among the most profitable of all long-term investments.

The Long-Term Investment Aspect

The question I would pose for you therefore is this: May it not be unnecessary to be either a "bull" or a "bear" on the market? For those of you who have customers that are bona fide long-term investors, will it not be more worth your while, and theirs, to buy a good value, than to attempt to diagnose the next phase in the rise and fall of stock prices?

Bona fide investors I suggest—as distinguished from buyers or sellers who want to place a bet on the next move in the averages — advantageously might buy sound common stocks today, or sell equities presently owned, based on the simple test of whether such stocks seem conservatively valued in relation to **normal** earnings and dividend expectancies; whether such stocks can be safely depended upon to provide **continuous** income at an acceptable rate, and whether the outlook seems such as to warrant confidence that stocks bought at present prices seem likely to become worth more rather than less over a reasonable investment interval.

About half the insurance stocks generally available for investment can be bought for 10 times (or less) our estimates of the normal, average annual earnings expectancy over a period of good years and bad. Availability of these time-tested investments at less than the old, traditional concept of "10 times earnings" as a safe basis for purchase of common stocks may be a much better reason for buying insurance stocks now than the fact that the stocks can be purchased for 6-8 times the abnormal earnings of 1949, or for 7-9 times probable earnings of this year.

Current Yields of Insurance Shares

A very comprehensive group of insurance stocks currently yields on average slightly over 4%, and present market prices are some 26% below our conservatively computed asset values as of the last year-end—and asset values today are higher, of course, than they were on Dec. 31, 1949. On the basis of these intrinsic values in relation to market prices, and the availability of over 30 good insurance stocks at less than 10 times what may be projected as the normal average earnings expectancy, its difficult to view the group as in anything but a buying range, irrespective of the next intermediate move in stock prices generally.

Dealing as we must with day-to-day events that affect security prices — **though not necessarily security values**—many of us are prone to lose sight of the more enduring factors that build-up investment values than was the Vice-President in charge of the trust department of one of the very large banks. This bank some years ago bought insurance stocks rather heavily. The purchases were made, as explained to me at the time, primarily because yields on the high-grade insurance stocks purchased averaged appreciably better than the concurrent return obtainable from government bonds; because this trust officer felt that dividends on the insurance stocks bought were thoroughly safe, and that over a period of 10 or 20 years—when the stocks would still be in the pension funds for which the purchases were made—such dividends would be increased several times, so that income over the life of the investment would be far better than that obtainable from acceptable senior securities. The insurance stocks were bought, further, because of the conviction of this trust officer that as the insurance companies built-up their net worth behind the stocks year after year, through the plow-back of undistributed profits, a thickening cushion constantly was being built to absorb the shocks of recurrent declines in stock prices generally. That investment officer has been beautifully vindicated. He was right, for precisely the right reasons.

We sometimes lose track of these very simple truths in the welter of ephemeral scares and alarms, and it's good for us to remind ourselves that at the end of last year, 66 insurance stocks had an asset value averaging 71% higher than the asset values of ten years earlier. The 33 companies in the top half of this list had an average asset value on Dec. 31, 1949, exactly double the asset value of the same stocks at December 31, 1939, although the Standard & Poor's 90 stocks, meanwhile, had advanced only 34%.

Outlook for Future

Though my crystal ball is no better than yours, fundamental factors suggest to me very strongly that investors in insurance stocks should do as well in the future as they have in the past. Insurance, to begin with, enjoys the opportunity to capitalize certain fundamental social trends. More people have more to protect against loss; more homes and personal possessions, more automobiles, more earning power to be protected against accident and illness, more capital to protect against legal liability to others. And now the states are beginning to pass nonoccupational disability laws, which will largely increase the business of certain insurance companies.

Notwithstanding a rather impressive immunity from the whims of economic change that I've tried to suggest, the sales of fire and casualty companies do fluctuate importantly. The basic redistribution of the national income however has increased the need of large numbers of people for such insurance, and at the same time has enhanced their ability to buy the needed protection.

Combined premiums of the fire and casualty insurance companies last year, estimated at $6.85 billion, was equivalent to approximately $45.93 per capita. **This is almost exactly 3 times the per capita premium income of only 10 years ago, and nearly 2½ times the premium income per capita in such a "boom" year as 1929.** Even after allowing for the largely reduced purchasing power of the dollar, per capita premium income last year was 66% greater than a decade ago, and 54% greater than 20 years ago.

So far as the future is concerned—new construction has been at extremely high level throughout the early months of 1950, and it presently appears building will continue at a near record rate during much of this year. Real estate values have shown little tendency to decline in recent months. More **newly created insurable values** therefore should more than offset, we think, any tendency toward decline in premium writings of **fire insurance proper.** Similarly, with automobile manufacturers likely to make some 6.5 million new units this year, coverage on the largest number of motor vehicles ever run over the roads should go far toward offsetting rate reductions—particularly since an increasing proportion of new cars are being sold on instalment payment plans, where financing organizations almost invariably require "comprehensive" coverage. So long as general commercial activity is maintained near the present level, marine writings and premium income from the minor miscellaneous coverages should remain fairly constant.

Enactment of financial responsibility laws in additional states, and continued increase in the number of cars in use, tend to offset the effect of rate reductions on automobile premium volume. Some further slight increase in writings is therefore expected this year. Current industrial production and wage rates, and the outlook for the immediate future at least, provide little basis for anticipating decline in compensation premium income this year. Casualty companies writing accident and health insurance should derive a considerable stimulus to their business from the enactment of nonoccupational disability laws in such a populous state as New York, and such legislation we think is likely to be enacted in additional states. Surety bond premium income should be stimulated by the increased public construction projected, and little change is expected in the 1950 premium income from fidelity bonds, general liability, burglary and theft, etc.

On balance, therefore, we think the 1950 premium writings of the fire and casualty companies should just about duplicate the peak reached last year, though we expect a further slight gain in amount of premiums **earned.**

Premium Rates

In theory at least—and in actual practice, **ultimately — premium rates for insurance are based on the underwriting experience.** Necessarily, however, revisions upward come only after the need for higher rates has been determined, while rate reductions generally are initiated only after excessive underwriting profits have been realized.

Premium rates for "straight" fire insurance have been reduced to modest extent in several states during recent months, and there apparently is some fear—among securities salesmen in the main—that more numerous and sharper rate reductions are imminent, based on the abnormal underwriting profit margins realized last year.

We think the trend of premium rates for most insurance coverages is downward—as is generally true on a long-term basis—**but we do not share the expectation of early drastic reductions in fire insurance premium rates** based on the highly favorable 1949 experience.

In numerous States insurance departments are required by law to approve rates for fire insurance proper based on the loss experience of five preceding years, with consideration given to the trend of the underwriting experience. Furthermore, after many months of intensive study and numerous hearings, an important Sub-Committee of the National Association of Insurance Commissioners — an organization which admittedly has no official standing in rate-making matters, but which as a practical matter has large influence thereon—has concluded that a 6% underwriting profit margin should be regarded

as equitable for the fire insurance business (5% as a normal profit margin, plus 1% for catastrophe losses). This opinion was accompanied by the observation that no effort should be made to effect reductions in premium rates, unless underwriting profit margins exceed 8%, and that conversely the insurance companies should not increase premium rates until underwriting profit margins decline below 4%. This report as a practical matter appears to reflect the rate-making philosophy of the majority of insurance regulatory bodies at this time.

Against this background there is no basis for widespread, drastic reductions in fire insurance premium rates in the near future. This conclusion rests largely on the following:

Over the five-year period 1945-1949 inclusive fire insurance companies collectively earned an aggregate underwriting profit of only about 4%, or just two-thirds of the "allowable" 6% profit margin regarded as reasonable by the Sub-Committee of the NAIC—**and only 50% of the underwriting profit margin regarded as the maximum allowable before recourse to premium rate reductions.**

If underwriting profit margins are maintained at a favorable level in 1950 as we anticipate, more numerous and deeper reductions in fire insurance premium rates may be expected a year or so hence, as unprofitable years are dropped from the rate-making base and aggregate profit margins over the five-year base period are increased by the later more favorable experience. Pending actual realization of such abnormal underwriting profits however, we think reductions in premium rates for fire insurance proper will be limited to particular localities and specific categories of risks on which excessive profits recently have been realized.

Reductions in the premium rates for the automobile fire, theft, collision and "comprehensive" coverages seem more imminent, and are likely to be of more substantial character than the rate cuts on fire insurance proper over the near term, in our opinion. Underwriting profit margins on these lines have been very abnormal recently, and certain rate reductions apparently might be effected without depriving the industry of a wholly satisfactory profit margin.

Premium rates on the automobile insurance business written primarily by the casualty companies—the bodily injury and property damage coverages—are being revised very frequently these days, based on recent underwriting experience in different localities. The current trend is toward reductions in premium rates, as governed by the underwriting experience in different jurisdictions. On the whole we think the trend of premium rates is downward, but not sharply so except in localities where underwriting profit margins have been decidedly abnormal.

Compensation premium rates are in general being lowered, based on the highly favorable underwriting experience of recent years. Such rate reductions can be absorbed in our judgment without more harmful effect than some thinning-out of the profit margin, so long as industrial production is maintained near present levels. Any sharp decline in industrial activity, accompanied by increasing unemployment, might cause an increase in claim frequency and materially impair the recent profitability of compensation underwriting.

Losses

The losses of fire and casualty insurance companies are importantly affected by fundamental long-term influences which have a tendency toward constant reduction of losses over a protracted period. Among these may be mentioned the continued progress toward fire resistant construction, and the more-or-less constant improvement in fire fighting techniques; the construction of broader highways and elimination of intersections, which tends to minimize automobile accidents and injuries; the effect of safety engineering activities directed toward the limitation of accidents in industrial plants, and the continuous public education program directed toward the prevention of accidents and illness.

Nevertheless recurring changes in the economy do have a direct, profound and often very prompt effect upon the losses of insurance companies under various types of policies. This is perhaps most easily recognizable in the prompt reflection of a change in the general price level on fire insurance losses. One fire insurance executive some time ago described such companies as the "biggest bear operators." The designation seems appropriate, for fire insurance companies charge a stipulated premium for assuming an obligation to restore or replace property damaged or destroyed within a subsequent period of one year or three years or even over a period as long as five years, as covered by the term of the policy. When a loss is incurred, the insurance company must discharge this liability not through the payment of any fixed sum. but by payment of an amount sufficient to enable the policyholder to buy a new house, or automobile or furniture or clothing or inventory of merchandise—or anything else damaged or destroyed—**at the prevailing market price.** Clearly therefore the cost of such repairs and replacements ("claims"), are dependent not only upon the extent of physical destruction, but also upon prevailing prices for an infinite variety of property and goods insured. If prices advance within the term of an insurance policy contract, losses must be paid at ascending cost to the detriment of insurance company earnings. Conversely when prices decline, insurance company earnings benefit from ability to settle claims at lower costs.

It ought to be noted, I think, that there is some feeling among investors—and among insurance company executives, too—that declining inventory values generally precipitate an adverse trend toward arson fires. While this unfavorable accompaniment of a declining price trend usually is in some evidence during a period of receding prices, such "sell-outs to the insurance companies" generally become common only when merchandise values decline abruptly. and not when the trend is toward a **gradually** lower price level.

The close relationship between the general price level and the dollar amount of fire losses is illustrated in the fact that between 1941 when the wartime inflation really got under way and 1948, when such inflation reached its peak, the index of wholesale commodity prices compiled by the U. S. Bureau of Labor rose 110%, while the dollar amount of fire losses increased 135%. In 1949 the index of wholesale commodity prices declined approximately 7%, and fire losses likewise were just about 7% under 1948.

Automobile insurance risks, for another entirely different reason, often produce profits or losses quite at variance with the general prosperity of the country, as a consequence of the tendency toward reduction in frequency of accidents during economic decline, which is attributable in turn to less imbibing of alcoholic beverages when available funds for such pleasant pastimes become more limited.

Losses under workmen's compensation policies, and under accident and health policies, parallel the general economic welfare quite closely. Compensation coverage is being broadened rather constantly—another social characteristic of the times reflected in the insurance business. Workmen's compensation insurance, however, is one of the most cyclical of all insurance coverages from the standpoint of year-to-year underwriting experience proving profitable under conditions of relatively full employment at high wages, when there is a minimum of reason for "malingering." On the other hand when weekly hours of employment decline and take-home pay is reduced, casualty companies in the past have become vulnerable to a large increase in claims. As a matter of fact, the compensation insurers have to some extent become involuntary "unemployment insurance funds" in past periods of depression. It's doubtful that such insurance companies will be so adversely affected under similar conditions in the future, since we now have unemployment insurance funds from which the worker out of a job can collect funds legitimately, instead of through questionable claims against the compensation carrier.

Claims under accident and health insurance policies — particularly the latter — also have waxed and waned with the number of unemployed and the degree of economic hardship. I think the experience will be repeated. The normally profitable fidelity and surety bonds, similarly, tend to become less profitable in depression as competition for fewer construction contracts precipitates bids which inflict losses on the bonding companies, and as defalcations which actually occurred in "good times" are discovered under the impact of adversity.

Now how do these fundamental economic influences on premiums and losses promise to affect earnings over the near future?

Obviously I'm no economist—except to the extent that all of us who sell securities are past masters of that art. In my view however—based on appraisals I deem better than my own—the recent scattered strength in various price indices has been merely a temporary fluctuation, and as we believe the outlook is for a somewhat lower level of prices for most commodities and manufactured products notwithstanding the inflationary psychology now prevalent, we expect somewhat lower replacement costs to reduce loss ratios on fire insurance proper. The exposure to loss has been largely increased however, and loss ratios are adversely affected by reductions in premium rates. On balance, we think that in 1950 claim costs are likely to absorb no more of the straight fire insurance premium dollar than last year—which produced a record-breaking profit margin. **Higher** loss ratios however are expected on the large automobile insurance lines written by both the fire and casualty companies, due principally to reductions in premium rates.

It's doubtful that premium rate adjustments give full consideration to the broader benefits provided under workmen's compensation policies and the recent trend of compensation premium rates, coupled with some evidence of rising unemployment, suggest that compensation loss ratios may be somewhat higher this year than last, although certain casualty companies, we think, may derive material benefit in the 1950 underwriting experience on both liability and compensation risks, from release of excessive loss reserves provided in prior years.

Expenses

Agents' commissions and allowances, state premium taxes and other direct expenses of acquiring business represent about 80%-85% of all the operating expenses of fire and casualty insurance companies, exclusive of Federal income tax. Such costs, of course, are directly related to the amount of premium income and this large proportion of insurance company overhead therefore fluctuates directly with volume, except as changes are made in commission scales.

Insurance companies, with a labor cost of only about 10 cents per premium dollar—exclusive of agents' commission—are clearly less vulnerable to the hardships of mounting labor costs than the typical manufacturing enterprise, where the relationship of wages to income usually is much higher. Furthermore, as a consequence of the fact that the premium income of fire and casualty companies has much more than trebled in the last decade, the relative burden of operating overhead has been reduced and such costs now absorb about 5 cents on the premium dollar less than ten years ago.

A moment ago, however, I referred to changes in commission allowances. For the last four or five years, prior to recent months, there has been a tendency toward slight reduction in the percentage of the premium paid as commission, an entirely natural development during a period in which the demand for insurance taxed the carrying capacity of insurance companies. Now, with insurance company capital funds largely increased, and with the rate of premium growth at least temporarily leveled-off, competition has returned to the insurance business and lately there have been some evidences of increasing willingness to pay "competitive commissions" in certain territories, and for certain classes of risks. This tendency may raise the expense ratios of insurance companies somewhat over the next year or two.

Earnings Outlook

In 1949, we think, both the fire and casualty insurance companies—as a group—probably reached a temporary peak in earning power. A limited number of companies seem likely to run counter to the trend—in most cases because such companies have been diverting recent earnings to loss reserves, and will make a better showing earnings-wise in 1950 as the drain upon earnings to bulwark loss reserves is terminated, and as (in some cases at least) unrequired reserves are released. The earnings of both the fire and casualty companies in 1950, however, although expected to be somewhat below 1949 (due principally to rate reductions and some slight deterioration in the loss experience) **should be exceedingly good,** and very large in relation to the present prices of most stocks. The favorable earnings trend is likely to extend beyond 1950 in our present opinion, due in part to the lag between changes in premium rates and the actual applicability thereof, which is deferred until policies in force at higher rates have expired and are renewed at the reduced rates. This inevitable "lag" between rate changes and the effect upon earnings is particularly favorable to fire insurance companies, due to the larger percentage of three-year and five-year policy contracts written by such companies.

Investment Income

Since approximately 96% of the total assets of fire and casualty companies are represented by cash and cash equivalents and bond and stock investments, the going interest rate and the level of corporate dividend payments have an obviously large effect on that portion of insurance company earnings represented by investment income. The effect of change in the interest rate and in corporation dividend disbursements is accentuated by the "leverage" on investment income which derives from the fact that fire and casualty companies enjoy free investment use of relatively large funds representing the legal reserves these companies are required to maintain. These funds covering legal reserves are invested in income-producing securities, and the resultant investment earnings accrue to the benefit of stockholders. At the end of last year a representative group of fire and casualty companies owned investments equivalent to about $2.25 for each dollar represented by the recent market prices of their stocks. The benefit of this leverage on investment income is obvious; last year fire and casualty companies as a group, conservatively invested, earned about 3¼% on mean invested assets. Since, however, such companies have $2.25 productively employed at this rate for every dollar represented by the market value of the stocks at recent prices, even this modest rate of return produces investment earnings of about 7¼% per annum on present insurance stock prices.

Insurance companies can, of course, add stability—or inject instability—to investment income by commitment of investabe funds in senior securities or equities, respectively. Since at present about 51% of the security investments of leading fire and casualty insurance companies are represented by government bonds while only about 23% are common stocks, it is evident that any severe decline in corporate dividend disbursements might be largely or more than offset by diversion of some of the funds impounded in low-yielding governments to more remunerative investment channels. Moreover, while government bond income is subject to the regular 38% corporation tax rate, dividend income from insurance company ownership of preferred and common stocks is subject to an effective tax rate of only 5.7%—the 85% exemption on dividends collected by one corporation from another clearly meaning more to fire and casualty insurance companies than to most other enterprises, since the assets of such organizations are far more extensively invested in securities than in the more customary fixed plant, machinery, equipment, etc.

Dividends

Insurance stocks are traditionally "low yield" equities, undoubtedly because dividend payments thereon are far more immune to the vicissitudes of economic change than the dividends on most other common stocks. This comparative safety of the dividend stems, in turn, from the unique insurance company practice of relating dividends to investment income only, rather than to the overall earnings which consist of insurance underwriting profits, plus the income from investments.

Nevertheless dividend policies as applied to insurance stocks are importantly influenced by certain factors — especially those related to the growth of premium income, and adequacy of the surplus account to finance increased writings. Over an extended period prior to the abnormal rate of fire and casualty insurance growth which had its inception some five years ago, it was customary for the industry to pay out dividends equivalent to 75%-90% of investment income. As premium writings doubled between 1945 and 1948, entailing need for large amounts of capital funds, dividend increases which normally would have been made were deferred.

Continued on page 42

Continued from page 41

The Outlook for Insurance Stocks

As a result, notwithstanding the very numerous increases in dividend declarations by fire and casualty insurance companies last year, a large and representative group of such companies collectively are currently distributing only about 62% of investment income before taxes. This is a subnormal pay-out, and further dividend increases on insurance stocks may be safely anticipated in the latter half of this year in our opinion, provided surplus accounts are not importantly impaired by declining prices of securities held in investment portfolios.

At a general meeting of this kind, where there's a wide breadth of interest in many individual issues of the insurance group, it seems almost necessary to talk about insurance stocks **as a class**, instead of about specific stocks. "Insurance stocks" however, as investments, comprise about 65 issues generally available for public investment, in which there are moderately active markets most of the time. Generally speaking, you won't be selling "insurance stocks" collectively — you'll be selling **individual stocks** which best fit the requirements of your customers, and which in your judgment afford the best investment opportunities. The **careful selection of individual stocks** affords wide scope for developing much more favorable investment results than I previously reflected as the results obtainable, had it been possible for you to buy the insurance stock "averages." Thus —as indicated a few minutes ago —"the market" as measured by the Standard & Poor's 90 Stocks is now about 4% below the 1937 highs of that average, whereas the Standard & Poor's Index of fire insurance stocks is 44% above the 1937 highs and the Standard & Poor's Index of casualty insurance stocks is 47% above the 1937 tops.

But favorable as the market action of insurance stocks has been, as measured against the 1937 highs, take a look at the much greater opportunities presented through judicious selection of individual issues. For example, if you had bought the ten insurance stocks which have had the best market records from the 1937 highs to date, your **average appreciation would have been 120% —in contrast with the 4% decline in the market as a whole**, and the advance averaging about 45% in fire and casualty stocks collectively.

If you hadn't been so astute—or so lucky—as to concentrate your commitments in the ten best performers marketwise among insurance stocks *vis-a-vis* the 1937 highs, you might have been fortunate enough to concentrate your commitments in the ten insurance stocks which did **next** best in which event your present market values would average 72.3% above 1937 highs, compared with the 4% decline in the Standard & Poor's 90 Stocks.

If it's expecting too much to concentrate commitments in the top third of the group, from the standpoint of favorable market performance, you might have been able at least to concentrate commitments in the **third group** of ten insurance stocks, in which event the appreciation on your investment would have raised present prices to 35% above the 1937 highs of the same stocks.

Or if you hadn't been able to make commitments in the best half of the stocks, but—out of a group of 65 issues—had concentrated your purchases in the insurance stocks which ranked from 31st to 40th in market performance relative to the 1937 highs, your average market prices today still would be 14.6% above the 1937 tops, in contrast with the 4% decline reflected in the Standard & Poor's 90 Stocks Index.

Philip Collins With American Secs. Co.

CHICAGO, Ill.—Philip T. Collins has become associated with American Securities Corporation, New York investment firm, which is opening a new branch in Chicago. Mr. Collins was formerly with Hemphill, Noyes, Graham, Parsons & Co.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late Foster B. Davis to Earl R. Davis will be considered by the Exchange on May 11. Mr. Davis will continue as a partner in Davis & Davis.

Charles L. Morse retired from partnership in A. M. Kidder & Co. April 30.

James M. Fox, member of the Exchange, and P. Vernon Marquez withdrew from partnership in Kohlmeyer & Co. April 30.

Robert Howard Whiton retired from F. L. Rossmann & Co. May 1.

May, Borg & Co. Admits Norman M. Leff to Firm

May, Borg & Co., 61 Broadway, New York City, members of the New York Curb Exchange, have admitted Norman M. Leff, Curb Exchange member, to partnership in their firm. Mr. Leff has been active as an individual Curb floor broker.

Joins Harris, Upham Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO Ill.—James D. Condrin has become connected with Harris, Upham & Co., 135 South La Salle Street.

With Tripp & Co.

(Special to THE FINANCIAL CHRONICLE)

BRADENTON Fla. — Whitney Curry is with Tripp & Co., Inc.

J. Whitmire With Joe McAlister Co.

GREENVILLE, S. C.—Jerry C. Whitmire has become associated with Joe McAlister Co., 8 South Church Street, as Manager of the newly established mutual fund department.

George W. Gartman With Francis I. duPont Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George W. Gartman, Jr., has become associated with Francis I. duPont & Co., 200 South La Salle Street. He was formerly in the industrial stock department of Swift, Henke & Co.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—E. B. Stone has become associated with Cantor, Fitzgerald & Co., Inc., 211 South Beverly Drive. He was previously with King Merritt & Company, Inc.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — W. Allen Mansfield and Gilbert L. Reed have become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Mansfield was formerly with Hill Richards & Co. and Maxwell, Marshall & Co. Mr. Reed was with Pledger & Company.

Daniel Reeves Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William H. Byrens has joined the staff of Daniel Reeves & Co., 510 South Spring Street.

Taylor Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Charles A. Lonn has been added to the staff of Taylor and Company, 170 South Beverly Drive.

Arthur Tubridy V.-P. Of Herbert J. Sims Co.

Herbert J. Sims & Co., Inc., 52 Wall Street, New York City, announce that Arthur F. Tubridy has become associated with the firm as Vice-President.

Marache Sims Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert B. Cunningham has become connected with Marache Sims & Co., 734 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Standard Investment Co. of California and prior thereto with G. Brashears & Co.

E. O. Thorwaldson With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ellis O. Thorwaldson has become associated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges. He was formerly with Bailey, Selland & Davidson and prior thereto with Livingstone & Co. and Blyth & Co., Inc.

Bidwell With Morgan Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George H. Bidwell has become associated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Bidwell was formerly with Merrill Lynch, Pierce, Fenner & Beane and Mitchum, Tully & Co.

Stan E. Comstock Joins Allen & Co.

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla.—Stan E. Comstock has become associated with Allen & Co., Metcalf Building. He was formerly associated with T. Nelson O'Rourke, Inc. for a number of years.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

• Accountants Publishing Co., Inc.
April 27 (letter of notification) 4,500 shares of common stock (par 10 cents) and 6,000 shares of 6% cumulative non-convertible preferred stock (par $10). **Price**—40 cents and $10 per share, respectively. **Underwriter**—None. **Proceeds**—For working capital. **Office**—2017 Cedar Springs, Dallas, Tex.

• Alaska Ferry & Terminal Co., Inc., Juneau, Alaska
April 24 (letter of notification) 3,000 shares of common and preferred stock at $100 per share. No underwriter. Proceeds for engineering and equipment.

• Ambassador Mines Corp., Spokane, Wash.
April 24 (letter of notification) 100,000 shares of common capital stock (par 10 cents). **Price**—25 cents. **Underwriter**—None. **Proceeds**—To develop properties near Trout Creek, Mont. **Office**—416 Empire State Bldg., Spokane 8, Wash.

American Cladmetals Co. (5/10-15)
March 31 filed 480,000 shares of common stock (par $1). **Price**—$1.50 per share. **Underwriter**—Graham & Co., Pittsburgh and New York. **Proceeds**—To install additional facilities and for working capital. **Expected** between May 10 and 15.

American Cyanamid Co., New York
April 26 filed an unspecified number of shares of series B cumulative preferred stock (par $100), which is convertible before July 1, 1960. They are to be offered to common stockholders of record May 16, 1950 at the rate of one preferred share for each seven common held; rights to expire June 2. **Underwriter**—White, Weld, & Co. **Price**—To be filed by amendment, along with dividend rate. **Proceeds**—For working capital and general funds.

American Investment Co. of Illinois
March 27 filed 31,892 shares of common stock (par $1) being offered to employees. **Underwriter**—None. **Price**—$15 per share. **Proceeds**—For general corporate purposes. Statement effective April 17.

• American-Marietta Co., Chicago
April 28 filed 50,926 shares of common stock (par $2) to be offered to holders of 50,926 shares of capital stock of United Brick & Tile Co., Kansas City, to complete acquisition of this company. **Underwriter**—H. M. Byllesby & Co., Chicago (to serve as dealer-manager for soliciting United Brick stockholders).

• American Textile Co., Inc., Pawtucket, R. I.
April 26 (letter of notification) 10,000 shares of common capital stock (par $10). **Price**—$15 per share. **Underwriter**—None. **Proceeds**—To provide additional funds. **Office**—P. O. Box 637, Pawtucket, R. I.

Ampal-American Palestine Trading Corp.
April 10 filed $3,000,000 of 10-year 3% sinking fund debentures. **Underwriter** — Israel Securities Corp., New York. **Proceeds**—To increase working capital to be used for enterprises in Israel. **Business**—Developing the economic resources of Israel.

Associated Natural Gas Co., Tulsa, Okla.
March 14 (letter of notification) 2,500 shares of common stock at $100 per share. No underwriter. Proceeds to build a natural gas transmission line. **Office**—105 N. Boulder, Tulsa, Okla.

• Athens Flooring Co., Athens, Ohio
April 24 (letter of notification) $275,000 of 4¾% first mortgage bonds, due 1962. **Underwriter**—The Ohio Co., Columbus, O. **Proceeds**—To retire notes payable to banks and to provide working capital.

Atlas Corp.
April 26 filed 100,000 shares of common stock and option warrants to purchase a like amount of common stock at $25 per share, without limit as to time. These shares and option warrants are now outstanding and constitute a part of the holdings of George H. Howard. **Underwriters** — Goldman, Sachs & Co. and Lehman Brothers are named as managers. The registration statement also covered 1,924,011 shares of common stock which would be issuable by the corporation if all the outstanding option warrants were exercised.

• Atlas Powder Co., Wilmington, Del.
April 7 (letter of notification) 6,000 shares of common stock (no par) at $50 per share. No underwriter. Proceeds for working capital. Offered to employees.

• Baldwin Co., Cincinnati, Ohio
April 19 (letter of notification) 1,001 shares of common capital stock (par $8), to be sold at the market price (estimated to be $17 per share), for the account of a selling stockholder. **Underwriter**—W. D. Gradison & Co., Cincinnati.

• Boyd System, Inc., Bristol, Pa. (5/8)
May 1 (letter of notification) 46,603 shares of class A common stock, series One (no par). **Price**—$5 per share. **Underwriter**—None. **Proceeds**—For expansion and working capital. **Office**—114 Radcliffe St., Bristol, Pa.

NEW ISSUE CALENDAR

May 4, 1950
Brooklyn Union Gas Co. — **Preferred**

May 5, 1950
Idaho Power Co. — **Preferred**
Lev Gleason Publications, Inc. — **Preferred**

May 8, 1950
Boyd System, Inc. — **Class A Common**

May 9, 1950
Denver & Rio Grande Western RR., noon (EDT) — **Equip. Trust Ctfs.**
Duval's Consensus, Inc. — **Preferred**
Knott Hotels Corp. — **Common**
Potomac Elec. Power Co. 11:30 a.m. (EDT) — **Bonds**

May 10, 1950
American Cladmetals Co. — **Common**
Dayton Power & Light Co. — **Common**
Seaboard Air Line RR., noon (EDT) — **Bonds**
White's Auto Stores, Inc. — **Pfd. & Com.**

May 11, 1950
Chicago, Rock Island & Pacific RR., noon (CDT) — **Equip. Trust Ctfs.**
Texas & Pacific Ry. — **Equip. Trust Ctfs.**

May 15, 1950
Oklahoma Gas & Electric Co. — **Bonds**
Olympic Radio & Television, Inc. — **Common**
Southern California Edison Co. — **Preferred**

May 16, 1950
Chicago, Milwaukee, St. Paul & Pacific RR., noon (CDT) — **Equip. Trust Ctfs.**
Household Finance Corp. — **Preferred**
Maine Public Service Co. — **Preferred**
Ohio Edison Co., 11:30 a.m. (EDT) — **Bonds**

May 17, 1950
Brooklyn Union Gas Co. — **Bonds**

May 18, 1950
Pittsburgh & Lake Erie RR. — **Equip. Trust Ctfs.**

May 22, 1950
Iowa Public Service Co. — **Preferred**
Philip Morris & Co., Ltd., Inc. — **Pfd. & Com.**

May 23, 1950
California Electric Power Co. — **Common**
Interstate Power Co. — **Bonds & Com.**

May 24, 1950
Wabash RR. — **Equip. Trust Ctfs.**

May 26, 1950
Westchester General Tire Co., Inc. — **Common**

June 1, 1950
General Radiant Heater Co., Inc. — **Common**
New York Central RR. — **Equip. Trust Ctfs.**

June 6, 1950
Rockland Light & Power Co. — **Preferred**

June 7, 1950
California Electric Power Co. — **Bonds**

June 10, 1950
Dallas Power & Light Co. — **Bonds**

June 13, 1950
Gulf States Utilities Co. — **Bonds**

June 15, 1950
Southern Ry. — **Bonds**

Brooklyn Union Gas Co. (5/17)
April 13 filed $8,000,000 of first mortgage bonds due 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and F. S. Moseley & Co. (jointly); Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Harriman Ripley & Co., Inc. and First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers. **Proceeds**—To repay bank loans and for construction program. Expected May 17.

Brooklyn Union Gas Co. (5/4)
April 13 filed 186,341 shares of cumulative convertible preferred stock (par $40). To be offered initially to common stockholders of record May 4, 1950 at the rate of one preferred share for each four common shares then held. Rights expire May 22. **Underwriters**—Blyth & Co., Inc. and F. S. Moseley & Co. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program.

Buffelen Manufacturing Co., San Francisco
April 10 (letter of notification) 2,000 shares of 5½% cumulative preferred stock (par $100) and 2,000 shares of common stock (no par), in units of one share of preferred and one common for $150 per unit. Proceeds for working capital. May be placed privately. **Office**—58 Sutter St., San Francisco, Calif.

• **California Electric Power Co. (5/23)**
May 1 filed 180,000 shares of common stock (par $1). **Underwriters**—Walston, Hoffman & Goodwin, San Francisco; William R. Staats Co. and Pacific Co. of California, Los Angeles. **Price**—To be filed by amendment. **Proceeds**—For construction. **Offering**—Expected May 23.

California Pacific Utilities Co.
April 19 (letter of notification) 9,300 shares of common stock (par $20). **Price**—$32 per share. **Underwriter**—First California Co., San Francisco. **Proceeds**—For expansion.

Canadian Admiral Corp., Ltd. (Canada)
March 30 filed 28,458 shares of $1 par value common stock being offered to shareholders at the rate of one-half share for each share held as of record April 5. **Underwriter**—None. **Price**—$5 per share. **Proceeds**—To purchase plant site, erect and equip plant, and for working capital. Statement effective April 21.

Canam Mining Corp., Ltd., Vancouver, B. C.
Aug. 29 filed 1,000,000 shares of no par value common stock. **Price**—800,000 shares to be offered publicly at 80 cents per share; the remainder are registered as "bonus shares." **Underwriter**—Reported negotiating with new underwriter. **Proceeds**—To develop mineral resources. Statement effective Dec. 9. Indefinite.

Capper Publications, Inc.
March 20 filed $2,000,000 of series 6 five-year first mortgage 4% bonds and $2,000,000 of series 7 10-year first mortgage 5% bonds. **Price**—At par, in denominations of $100, $500 and $1,000. **Underwriter**—None. **Proceeds**—To redeem outstanding bonds and improve facilities. **Office**—Eighth and Jackson Streets, Topeka, Kan.

Central Vermont Public Service Corp.
March 30 filed $2,000,000 of series F first mortgage bonds, due 1980, and 8,000 shares of $100 par value preferred stock. **Underwriters**—Halsey, Stuart & Co. awarded bonds and W. C. Langley & Co. was awarded the preferred stock on May 3. **Proceeds**—For construction and payment of bank loans. Statement effective April 21.

• **Century Television Productions**
April 27 (letter of notification) 150,000 shares of common stock at par ($1 per share). No underwriter. Proceeds to produce and distribute live shows and movies to television. **Office**—525 Warner Ave., West Los Angeles, Calif.

(The) Chicago Fair, Chicago, Ill.
March 24 filed $1,000,000 of subordinated debentures, due 1960. **Underwriter**—None. **Price**—At par. **Proceeds**—For construction, alterations and general administrative expenses. **Business**—To hold an exposition in Chicago. Statement effective April 10.

• **Cincinnati & Suburban Bell Telephone Co.**
May 2 filed 234,856 shares of common stock to be offered stockholders of record May 26 at rate of one share for each three held; rights to expire July 3. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—For expansion and to reduce bank loans incurred for construction.

• **Citizens Telephone Co., Decatur, Ind.**
April 27 (letter of notification) 3,000 shares of 4½% preferred stock, non-convertible. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For plant additions and conversion to dial operations. **Office**—240 W. Monroe St., Decatur, Ind.

• **Coastal States Life Insurance Co.**
April 25 (letter of notification) 5,000 shares of common stock (par $10) to be offered to present stockholders at $40 per share. No underwriter. Proceeds to increase capital and surplus. **Office**—224 Mortgage Guarantee Building, Atlanta, Ga.

Dallas Power & Light Co.
April 19 (letter of notification) 3,724 shares of common stock (no par) to be offered to public stockholders at rate of one-eighth additional share for each common share held as of April 22. **Price**—$80 per share. **Underwriter**—None. **Proceeds**—For construction.

Dayton Power & Light Co. (5/10)
April 20 filed 283,333 shares of common stock (par $7) to be offered to holders of outstanding common May 10 at the rate of one new share for each seven held; rights to expire May 31. **Underwriter** — Morgan Stanley & Co. and W. E. Hutton & Co., New York. **Price**—To be filed by amendment. **Proceeds**—To repay bank loans and for construction.

(The) Dean Co., Chicago
April 10 (letter of notification) 1,000 shares of common stock. **Price**—At par ($10 per share. **Underwriter**—Boettcher & Co., Denver and Chicago. **Proceeds**—For general corporate purposes. **Offering**—Only to residents of Illinois.

Dome Exploration (Western) Ltd., Toronto, Canada
Jan. 30 filed $10,000,000 of notes, due 1960, with interest at 1% in the first year, 2% in the second year, and 3% thereafter, and 249,993 shares of capital stock (par $1). To be sold to 17 subscribers (including certain partners of Carl M. Loeb, Rhoades & Co., State Street Investment Corp. and State Street Research & Management Co.) **Underwriter**—None. **Proceeds**—For general funds. **Business**—To develop oil and natural gas properties in Western Canada.

Dorchester Fabrics, Inc., Summerville, S. C.
April 3 (letter of notification) 1,000 shares of preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**. To buy additional machinery and expand plant facilities.

• **Duval's Consensus, Inc. (5/9)**
May 2 (letter of notification) 11,000 shares of 5% cumulative non-convertible preferred stock at par ($5 per shares.) No underwriter. Proceeds for working capital, etc. **Office**—13 West 46th Street, New York, N. Y.

Eastern Corp., Bangor, Me.
April 3 (letter of notification) 2,500 shares of common stock (par $10) to be offered at the market price (about $14.625 each) by the Central National Corp., New York City. No underwriter.

• **Futures, Inc., N. Y. City**
April 26 (letter of notification) 55,000 shares of capital stock (par $1) to be sold at net asset value, plus commissions. **Underwriter**—Futures Distributors, 40 Wall Street, New York. **Proceeds**—For purposes of buying, selling or selling short commodity futures or commodities with a view to capital appreciation.

• **General Radiant Heater Co., Inc., N. Y. C. (6/1)**
May 3 filed 170,000 shares of common stock (par 25¢). **Price**—$3 per share. **Underwriter**—Mercer Hicks Corp., New York. **Proceeds**—For plant and warehouse, advertising research, working capital, etc. Expected about June 1.

General Steel Products Corp., Reno, Nev.
April 6 (letter of notification) 150,000 shares of non-assessable capital stock at $1 per share. No underwriter. Proceeds to build a plant and office at Las Vegas, Nev. **Office**—15 W. 2nd St., P. O. Box 1291, Reno Nev.

Gold Shore Mines, Ltd., Winnipeg, Canada
April 10 filed 500,000 shares of common stock (par $1). **Underwriter**—None. **Price**—$1.50 per share; to increase 25 cents per share for each 100,000 share block. **Offering**—To be made only in New York State for the present. **Proceeds**—For buildings, equipment and working capital.

Grant (W. T.) Co., New York City
April 3 filed 118,935 shares of common stock (par $5). No underwriter. These shares will be sold to employees from time to time under terms of an Employees Stock Purchase Plan to be voted on April 18. **Proceeds**—To be added to general funds for corporate purposes. **Price**—Not less than $22 a share.

Granville Mines Corp., Ltd., British Columbia, Canada
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital.

Gulf Atlantic Transportation Co., Jacksonville, Florida
May 27, 1949, filed 620,000 shares of class A partic. ($1 par) stock and 270,000 shares (25c par) common stock. **Offering**—135,000 shares of common will be offered for subscription by holders on the basis of one-for-two at 25 cents per share. **Underwriters**—Names by amendment and may include Blair, Rollins & Co., Inc.; John J. Bergen & Co. and A. M. Kidder & Co. on a "best efforts basis." **Price**—Par for common $5 for class A. **Proceeds**—To complete an ocean ferry, to finance dock and terminal facilities, to pay current obligations, and to provide working capital.

Hammond Instrument Co., Chicago, Ill.
March 13 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$20 per share. **Underwriter**—Paul H. Davis & Co. of Chicago.

Holiday Brands, Inc., Boston, Mass.
April 26 filed 600,000 shares of class A convertible capital stock (par $100). **Underwriters**—Shields & Co., New York, and Clayton Securities Corp., Boston. **Price**—To be filed by amendment. **Proceeds**—To build and equip plant and for working capital. **Business**—To manufacture and sell soluble crystalline coffee.

Household Finance Corp., Chicago (5/16)
April 25 filed 100,000 shares of 4% preferred stock (par $100). **Price**—To be filed by amendment. **Underwriters**—Kidder, Peabody & Co., Lee Higginson Corp. and William Blair & Co. **Proceeds**—For additional working capital.

Household Service, Inc., Clinton, N. Y.
April 18 (letter of notification) $150,000 of first mortgage bonds due May 1, 1965, of which $111,000 principal amount are to be offered in exchange for a like amount of 5% sinking fund 10-year serial debentures, series A, B and C, due respectively in 1956, 1957 and 1958. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y. **Price**—Unexchanged bonds to be offered at par. **Proceeds**—To retire debentures, to pay off mortgage and debt, and for expansion.

Idaho Power Co. (5/5)
April 3 filed 20,000 shares of 4% preferred stock. **Underwriter** — Wegener & Daly Corp., Boise. **Price**—At par ($100 per share). **Proceeds**—To expand production, transmission and distribution facilities. Expected May 5.

Interstate Power Co. (5/23)
April 19 filed $3,000,000 of first mortgage bonds, due 1980; 275,000 shares of common stock (par $3.50); and 100,000 shares of preferred stock (par $50). **Underwriter**—For bonds and common to be decided by competitive bidding; preferred to be sold publicly or privately through a negotiated sale. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); and Smith, Barney & Co. (for bonds and common); Halsey, Stuart & Co. Inc. and The First Boston Corp. (for bonds); Harriman Ripley & Co. Inc. (for common). Probable underwriting for preferred may include: Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; Kidder, Peabody & Co., or Lehman Brothers. **Proceeds**—To pay $2,400,000 of 3% notes and $5,000,000 of first mortgage 4½% bonds, due 1978, and for new construction. Bids are to be invited on bonds and common about May 23.

Iowa Public Service Co. (5/22)
Feb. 21 filed 50,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: A. C. Allyn & Co.; Harriman Ripley & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly); Equitable Securities Corp.; Lehman Brothers; White, Weld & Co. **Proceeds**—For payment of bank loans and for construction. Expected May 22.

Kingston Products Corp., Indianapolis, Ind.
April 20 (letter of notification) 11,000 shares of common stock to be offered at the market price for account of two selling stockholders. **Underwriter**—Hemphill, Noyes & Co. **Price**—About $7 and $8 per share.

Knott Hotels Corp., N. Y. City (5/9-10)
April 17 filed 130,000 shares of common stock (par $5), of which 100,000 will be sold by the company and 30,000

Continued on page 44

Continued from page 43

by Agnes G. and William J. Knott. **Underwriter**—Hayden, Stone & Co., New York City. **Price**—To be filed by amendment. **Proceeds**—For additional facilities, including a laundry plant. Expected May 9 or 10.

● **Lev Gleason Publications, Inc., N. Y. City (5/5)**
April 26 (letter of notification) 250,000 shares of class A 6% participating cumulative convertible preferred stock to be offered at par ($1 per share) and 2,500 shares of common stock (no par) to be reserved for conversion of preferred. No underwriter. Proceeds to purchase for treasury certain minority common shares and for expansion and working capital. **Office**—114 East 32nd Street, New York 16, N. Y.

● **Link-Belt Co., Chicago**
April 27 filed 10,002 shares of common stock (no par) to be sold only to officers and employees of the company and its subsidiaries. **Underwriter**—None. **Price**—$61 per share. **Proceeds**—For working capital.

Maine Public Service Co. (5/16)
April 24 filed 30,000 shares of 5½% cumulative preferred stock ($20 par). **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and seven others. **Price**—To be filed by amendment. **Proceeds**—For construction. Expected May 16.

● **Mathieson Hydrocarbon Chemical Corp., Baltimore, Md.**
May 2 filed 522,667 shares of common stock (par $1), of which 466,667 shares will be offered to common stockholders of Tennessee Gas Transmission Co. at the rate of one share for each 10 held, and the remaining 56,000 shares will be offered to the Trustee of the Thrift Plan of the Tennessee Gas Transmission Co. **Price**—To stockholders will be furnished by amendment: to Thrift Plan Trustee, $10 per share. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. **Proceeds**—To build, equip and operate a plant. **Business**—Manufacture of ethylene glycol and other organic chemical products.

● **Maximilian Rinow, Inc., New Orleans, La.**
April 24 (letter of notification) 200 shares of 8% second preferred stock to be offered at par ($100 per share). No underwriter. Proceeds for additional working capital. **Office**—633 Carondelet Street, New Orleans, La.

Messenger Corp., Auburn, Ind.
April 17 (letter of notification) 6,000 shares of common stock (par $1). **Price**—$11.50 per share. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Proceeds**—To selling stockholders.

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders of record March 17 at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Expected this month.

Miller (Walter R.) Co., Inc.
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). **Underwriter**—George D. B. Bonbright & Co., Binghamton, N. Y. **Proceeds**—To assist in acquisition of 1216 shares of company's common stock.

Muntz TV Inc., Chicago
April 17 filed 400,000 shares of common stock (par $1). **Underwriter**—Kebbon, McCormick & Co., Chicago. **Price**—To be filed by amendment. **Proceeds**—For working capital. **Business**—Distribution of television sets.

New England Gas & Electric Association
April 17 filed 138,800 shares of common stock (par $8), to be offered to stockholders at rate of one new share for each 10 held about May 5. **Dealer Managers**—A. C. Allyn & Co.; Townsend, Dabney & Tyson; Wagenseller & Durst; G. H. Walker & Co.; Draper, Sears & Co.; C. L. Putnam & Co.; Smith, Ramsey & Co. **Price**—To be filed by amendment. **Proceeds**—To pay bank loans and for further common stock investments in subsidiaries.

New York State Electric & Gas Corp.
April 6 filed 272,380 shares of common stock (no par) being offered to common stockholders of record April 27 at the rate of one new share for each seven held; rights will expire May 12. **Underwriters**—First Boston Corp.; Lehman Brothers; Wertheim & Co.; and Merrill Lynch, Pierce, Fenner & Beane; all of New York. **Price**—$25.50 per share. **Proceeds**—For construction.

Norlina Oil Development Co., Washington, D. C.
March 28 filed 600 shares of capital stock (no par.) To offer only sufficient shares to raise $1,000,000 at $5,000 per share. No underwriter. Proceeds to be used to explore and develop oil and mineral leases.

● **North Pacific Gas & Oil Co.**
April 24 (letter of notification) 250,000 shares of capital stock at $1 per share. No underwriter. Proceeds to lease land and drill for oil and gas. **Office**—805 Arctic Building, Seattle 4, Wash.

North Western Coal & Oil Ltd., Calgary, Ala., Canada
April 6 filed 2,200 basic units of $250 face amount each of production trust certificates, or an aggregate principal amount of $550,000, Canadian funds. **Underwriter**—Israel and Co., New York City. **Price**—$123.75 (U. S. funds) per $250 unit. **Proceeds**—For equipment, working capital and current liabilities.

Northern Natural Gas Co.
April 13 filed 304,500 shares of common stock (par $10), to be offered to common stockholders of record May 3 on the basis of one new share for each eight shares held; rights to expire May 22. Unsubscribed shares to be offered to employees of company and its subsidiaries. **Price**—To be supplied by amendment. **Underwriter**—None. **Proceeds**—Proceeds from sale of stock, together with those from the proposed sale and issue of $40,000,000 of serial debentures in June and general funds of the company are expected to be used in part for property additions and improvements and in part for the payment of bank loans which are expected to amount to about $13,000,000 on April 30.

Ohio Edison Co. (5/16)
April 14 filed $58,000,000 of first mortgage bonds, due 1980. **Underwriter**—To be decided by competitive bidding. Probable bidders include: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; White, Weld & Co. and Glore, Forgan & Co. and Union Securities Corp. (jointly); First Boston Corp. **Proceeds**—To retire outstanding indebtedness of Ohio Public Service Co., which is being merged with Ohio Edison. Expected at 11:30 a.m. (EDT) on May 16.

Oklahoma Gas & Electric Co. (5/15)
April 17 filed $17,500,000 of first mortgage bonds, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Halsey, Stuart & Co. Inc.; Lehman Brothers and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; Harriman Ripley & Co. **Proceeds**—For construction, redemption of $7,500,000 outstanding 3¼% first mortgage bonds, and to pay bank loans. Expected May 15.

● **Olympic Radio & Television, Inc. (5/15-19)**
April 28 filed 80,000 shares of common stock (par $1) to be sold by Adolphe A. Juviler, President, and Percy L. Schoenen, Executive Vice-President. **Underwriters** — Van Alstyne Noel Corp. **Price**—To be filed by amendment.

Orchards Telephone Co., Orchards, Wash.
March 16 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To modernize plant.

Pacific Cabinet & Radio Co., Van Nuys, Calif.
April 24 filed 168,125 shares of common stock (par 50¢) of which 131,250 will be offered by the company and 16,875 by Max Stettner, President. **Underwriter**—Lester & Co., Los Angeles. **Price**—$3.50 per share. **Proceeds**—To pay indebtedness and for general funds. **Business**—Assembly and sale of TV receivers, radios and radio-phonograph combinations. Company plans change in name to Mercury Television Mfg. Co.

Pacific Refiners, Ltd., Honolulu, Hawaii
March 29 filed $750,000 of 6% 15-year sinking fund debentures, due 1965 and 500,000 shares of common stock (par $1) to be offered in units of $3 principal amount of debentures and two shares of common stock at $5 per unit to common stockholders of record April 14 at the rate of one unit for each share. Unsubscribed securities will be retained by the company and subject to future issuance as may be subsequently determined. No underwriter. Proceeds for construction expenditures. Company refines and markets crude oil.

Pan American Gold Ltd., Toronto, Canada
July 20, 1948 filed 1,983,295 shares of common stock (par $1). Underwriters may be brokers. **Price**—45 cents per share. **Proceeds** — Mainly for development. Statement effective April 10, 1950.

Paramount Fire Insurance Co. (N. Y.)
April 5 (letter of notification) 50,000 shares of common stock (par $10). **Price**—$28 per share. **Offering**—To stockholders of record April 15, 1950, rights expiring on May 8, 1950, on a share-for-share basis. Transamerica Corp. owns 44,870⅓ of the outstanding shares. Any unsubscribed shares will be taken by Transamerica. **Proceeds**—$10 per share to capital account and balance to surplus account. **Underwriter**—None.

Peninsular Telephone Co., Tampa, Fla.
April 12 (letter of notification) 50,938 shares of common stock (no par) being offered to stockholders of record May 2 at rate of one new share for each five held; rights to expire May 16. **Underwriters**—Morgan Stanley & Co.; Coggeshall & Hicks; and G. H. Walker & Co., New York. **Price**—To be filed by amendment. **Proceeds**—For general corporate purposes, including expansion of facilities. Statement expected to become effective about May 2.

● **Philip Morris & Co., Ltd., Inc. (5/22)**
April 28 filed 130,610 shares of cumulative preferred stock (par $100) and 333,077 shares of common stock (par $5) to be offered to common stockholders about May 22, at the rate of one share of common for each six shares now held and one preferred for each 15 common shares presently held; rights are to expire June 5. **Underwriters**—Lehman Brothers and Glore, Forgan & Co. **Price**—To be filed by amendment. **Proceeds**—To reduce bank loans.

Pioneer Telephone Co., Waconia, Minn.
March 30 (letter of notification) 1,000 shares of 5% cumulative preferred stock, series B. **Price**—At par ($100 per share). **Underwriter**—H. M. Bishop & Co., Minneapolis, Minn. **Proceeds**—To expand service.

Potomac Electric Power Co., Wash., D. C. (5/9)
April 21 filed $30,000,000 of first mortgage bonds, due 1985, and 710,700 shares of common stock (par $10), with the stock offering to be made to holders of outstanding common stock of record May 9 at the rate of one new share for each five held; rights to expire May 25. **Underwriter**—Dillon, Read & Co. Inc., heads a syndicate of nine underwriters for unsubscribed shares of common stock. Bond underwriters to be filed by amendment, along with the interest rate and offering prices of both securities. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Lehman Brothers; Stone & Webster Securities Corp. and Union Securities Corp. (jointly); White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; First Boston Corp.; Kuhn, Loeb & Co.; Blyth & Co., Inc. and Smith Barney & Co. (jointly). **Proceeds**—To redeem $20,000,000 outstanding 3¼% bonds due 1966, pay bank loans and for construction. **Bids**—For bonds expected at 11:30 a.m. (EDT) on May 9.

Rand McNally & Co., Chicago
March 14 (letter of notification) 20,000 shares of common stock (par $10). **Price**—$15 per share. Underwriter—None. **Proceeds**—To be added to working capital. **Office**—536 So. Clark Street, Chicago, Ill.

● **Realty Mortgage & Investment Co.**
April 28 (letter of notification) 350 shares of 5% class A cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter** — None. **Proceeds** — For working capital. **Office**—216 W. Gold Ave., Albuquerque, N. M.

Reid Brothers, Ltd., San Francisco, Cal.
April 3 (letter of notification) 10,000 shares of preferred stock. **Price** — At par ($10 per share.) **Underwriter**—Denault & Co., San Francisco. **Proceeds**—To restore depleted stocks, buy new items and for additional working capital.

● **Seneca Oil Co., Oklahoma City, Okla.**
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

Service Finance Co., Los Angeles, Calif.
Dec. 19 (letter of notification) 65,000 shares of common stock. **Price** — Par ($1 each). **Proceeds** — For working capital. **Office**—607 S. Hill Street, Los Angeles.

Sinclair Oil Corp.
Jan. 27 filed 119,700 shares of common stock (no par) to be offered to officers and employees of the company and subsidiaries under a stock purchase plan. These shares are either held in the treasury or will be reacquired.

Southern California Edison Co. (5/15)
April 24 filed 1,000,000 shares of cumulative preferred stock (par $25). **Underwriters**—First Boston Corp. and Harris, Hall & Co. (Inc.). **Price**—To be filed by amendment. **Proceeds**—To pay notes and furnish construction funds. Expected around May 15.

● **Southern California Gas Co.**
May 2 filed $25,000,000 of 2⅞% first mortgage bonds, due June 1, 1980. **Underwriter**—To be decided by competitive bidding, along with the price. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers; Harris Hall & Co. (Inc.); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; the First Boston Corp.; Shields & Co.; Kidder, Peabody & Co. **Proceeds**—For construction and to reduce indebtedness owing to Pacific Lighting Corp., parent.

Southern Fire & Casualty Co., Knoxville, Tenn.
April 17 (letter of notification) 11,000 shares of capital stock (no par). **Price**—$10 per share. **Underwriters**—Strader, Taylor & Co., Lynchburg, Va., and Bullington, Schas & Co., Memphis, Tenn. **Proceeds**—To finance growth and expansion.

Springfield City Water Co., Springfield, Mo.
April 7 (letter of notification) 2,000 shares of Series E 4¼% cumulative preferred stock (par $100). **Price**—$102 per share. **Underwriters**—H. M. Payson & Co., Portland, and The Moody Investment Co., Springfield, Mo. **Proceeds**—To expand properties and pay indebtedness.

Sudore Gold Mines Ltd., Toronto, Canada
June 7 filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter** — None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development.

● **Sun Oil Co., Philadelphia, Pa.**
May 1 filed 115,000 shares of common stock (no par) to be issued under the 1950 stock purchase plan to about 11,000 employees of the company and its subsidiaries. No underwriter. Proceeds for general funds.

● **Sunrise Silver-Lead Corp.**
April 24 (letter of notification) 1,262,500 shares of common stock, of which 500,000 will be offered at 15 cents per share, 750,000 will be issued to Sunrise Mines Co. for its mining properties, and 12,500 to Roy Kingsbury. No underwriter. Proceeds to operate Sunrise mine. **Office**—223 Rookery Bldg., Spokane, Wash.

● **Sylvan Products, Inc., Seattle, Wash.**
April 26 (letter of notification) 30 shares of common stock to be issued at par ($5,000 per share). No underwriter. Proceeds to establish plywood mill. **Office**—610 Colman Bldg., Seattle, Wash.

Syracuse Suburban Gas Co., Inc.
April 11 (letter of notification) 300 shares of 5% cumulative non-convertible preferred stock. **Price**—At par ($100 per share). **Underwriter**—None. Offered directly through company and its affiliate, Suburban Gas Co., Inc. **Proceeds**—For construction costs and working capital. **Office**—207 N. Center Street, East Syracuse, N. Y.

Teco, Inc., Chicago
Nov. 21 filed 100,000 shares ($10 par) common stock **Offering**—These shares are to be offered to holders of common stock in Zenith Radio Corp. of record July 15, 1949, at rate of one share for each five held; rights to expire May 9, 1950. **Price**—At par. **Underwriter**—None. **Proceeds**—For working capital and the promotion of Zenith's "Phonevision" device, whereby television users could pay a special fee for costly television programs by calling the telephone company and asking to be plugged in. Statement effective April 17.

Texas Electric Service Co.
April 6 filed 175,000 shares of preferred stock (no par) of which 65,000 ($4.56 series) are offered in exchange for a like number of outstanding $6 preferred shares on a

share-for-share basis up to and including May 26; Unexchanged $4.56 stock will be publicly offered at $110 per share. The remaining 110,000 shares ($4 series) will be sold publicly (latter offered on April 27 at $100 per share and dividend). **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds**—For construction. Statement effective April 26.

Texas Power & Light Co.
April 6 filed 203,786 shares of preferred stock (no par) of which 133,786 shares ($4.56 series) are offered to holders of outstanding 7% and $6 preferred stocks in exchange for their shares on a share-for-share basis, plus a dividend adjustment on all exchanges and a $5 per share payment on all 7% shares exchanged. Unexchanged shares and remaining 70,000 shares ($4 series) will be sold publicly (latter publicly offered on April 25 at $100 per share and dividend). Exchange offer will continue from April 26 to May 17. **Underwriters**—Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. **Price**—For $4.56 series to public $110 per share. **Proceeds**—To pay off loans from Texas Utilities Co., parent, for construction. Statement effective April 24.

Toledo Edison Co.
April 18 filed 4,102,000 shares of common tsock (par $5), of which 400,000 will be sold by the company and the remainder offered by The Cities Service Co. to its own common stockholders at the rate of one Toledo share for each Cities Service share held May 4 with rights mailed May 10 to expire May 29. **Underwriter**—The company's offering will be made under competitive bidding; no underwriter is named for the Cities Service offering. Probable bidders: Blyth & Co., Inc.; W. C. Langley & Co.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Smith Barney & Co. **Price**—$9 per share. **Proceeds**—To be applied toward construction.

● **Trav-ler Radio Corp., Chicago**
April 28 filed 315,000 shares of common stock (par $1) of which 240,000 will be sold by three officials of the company and 75,000 shares by the company. **Underwriters**—Straus & Blosser, Chicago. **Price**—$6.25 per share. **Proceeds**—To pay indebtedness, lend funds for expansion to a subsidiary, and to equip a new addition.

United Mines of Honduras, Inc., Wilmington, Delaware
March 16 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Underwriter**—Willis E. Burnside & Co., Inc., New York City. **Proceeds**—To pay indebtedness and for general corporate purposes. **Office**—North American Building, Wilmington, Del. Expected in May.

Wabash National Life Insurance Co., Indianapolis, Ind.
April 14 (letter of notification) 100,000 shares of common stock at $3 per share. No underwriter. Proceeds to establish capital and surplus.

● **Westchester General Tire Co., Inc. (5/26)**
April 28 (letter of notification) 50 shares of common stock (par $100) to be offered at public auction on or about May 26 by Adrian H. Muller & Son, New York. Proceeds to General Tire & Rubber Co. to satisfy lien. **Office**—214 Main Street, New Rochelle, N. Y.

Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter**—None. **Proceeds**—Exploration and development work.

White (S. S.) Dental Mfg. Co.
April 3 filed 49,891 shares of capital stock (par $20). Of the total shares, 29,891 are offered to stockholders of record April 24 at the rate of one new share for each 10 held and employees of the company and its subsidiaries will be given the right to buy the additional 20,000 shares plus any remaining from the stockholders' offering; rights will expire May 8. **Underwriter**—Drexel & Co., Philadelphia. **Price**—$28.25 per share. **Proceeds**—For additional working capital.

White's Auto Stores, Inc. (5/10-11)
April 21 filed 40,000 shares of 5% convertible cumulative preferred stock ($25 par) and 75,000 shares of common stock ($1 par). **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Price**—To be filed by amendment. **Proceeds**—To be added to working capital for payment of bank loans and for opening retail stores in Dallas, Odessa and Monohans, Texas.

Prospective Offerings

● **American Natural Gas Co.**
April 26, William G. Woolfolk, Chairman, announced that company expects to make another offering of its common stock during the current year. Probable bidders: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers; The First Boston Corp. **Proceeds**—To increase investments in stock of Michigan Consolidated Gas Co. and Milwaukee Gas Light Co.

Arkansas Power & Light Co.
Feb. 8 reported company expects to market $6,000,000 of mortgage bonds in August or September, the proceeds to be used for construction. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Central Republic Co. (jointly); White, Weld & Co.; First Boston Corp.; Lehman Brothers; Union Securities Corp.

● **Arkansas Power & Light Co.**
May 3 announced company plans to sell $15,500,000 of preferred stock (in addition to $6,000,000 bonds referred to above). The proceeds would be used to retire outstanding $7 and $6 preferred stocks at $110 per share and to finance expansion.

Associated Telephone Co.
April 21 company reported planning early registration of 175,000 shares of preferred stock, the proceeds to finance construction costs. Traditional underwriters: Stone & Webster Securities Corp.; Paine, Webber, Jackson & Curtis; Mitchum, Tully & Co.

Atlantic Coast Line RR.
April 18 stockholders approved the creation of a new mortgage dated March 1, 1950, providing for a maximum of $200,000,000 bonded indebtedness. Holders of $50,724,000 outstanding non-callable first consolidated mortgage 4% bonds due July 1, 1952, have been offered in exchange, par for par, new general mortgage series A bonds due March 1, 1980, with Morgan Stanley & Co. to manage the solicitation of exchanges on behalf of the company.

Bangor & Aroostook RR.
April 18 ICC approved debt rearrangement plan which provides that outstanding $16,665,000 consolidated refunding mortgage 4% bonds due July 1, 1951 be extended to 1976 and redesignated as first mortgage (convertible) 4½% bonds. The plan will become effective if accepted by 75% of the 4% bonds.

Broadway Department Store, Inc.
April 11 stockholders approved offer of 1¾ shares of company's common stock in exchange for each share of Hale Bros. Stores, Inc. stock under a plan of consolidation. Expected exchange offer will be made about May 15. Traditional underwriter: Blyth & Co., Inc.

Budget Finance Plan, Inc.
March 20 reported company plans to issue bonds, probably to an amount of $1,250,000.

California Electric Power Co. (6/7)
April 12 company filed with California P. U. Commission tentative financing plans calling for the sale of 180,000 additional shares of common stock and $2,000,000 of a new series of first mortgage bonds. (A registration statement covering the stock was filed with the SEC on May 1.) **Bids**—On the bonds are to be invited on May 31 and are to be opened on June 7. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Kidder, Peabody & Co. Proceeds to finance in part property expenditures for 1950 and 1951.

● **Canada (Dominion of)**
April 15 announced that the Dominion of Canada may shortly make available for Canadian investors two bond issues, one of which may be a short-term issue that will be expressly designed for banks and institutions and the other a long-term issue for private investors.

Celanese Corp. of America
April 12 the stockholders voted to authorize the creation of 1,000,000 shares of a new preferred stock (par $100), 505,000 shares of which can be issued at any time. Plans are being formulated for the issuance this year, if market conditions are considered satisfactory, of an initial series of this new preferred stock which may be convertible into common stock. Net proceeds would be used in part for expansion of the business, including additional production facilities. Probable underwriters: Dillon, Read & Co. Inc.; Morgan Stanley & Co.

● **Chicago, Milwaukee, St. Paul & Pacific RR. (5/16)**
Bids will be received at the company's office, Room 744, Union Station Bldg., Chicago, Ill., until noon (CDT) on May 16 for the purchase from it of $4,650,000 equipment trust certificates, series LL, to be dated June 1, 1950 and to mature $155,000 semi-annually from Dec. 1, 1950 to and including June 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler.

Chicago, Rock Island & Pacific RR. (5/11)
Bids will be received up to noon (CDT) on May 11 at company's office, Room 1136, La Salle Street Station, Chicago for the purchase of $3,630,000 equipment trust certificates, series G, dated June 1, 1950, to mature in 30 equal semi-annual instalments from Dec. 1, 1950 to June 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Lee Higginson Corp.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Citizens Utilities Co.**
April 25 company announced it plans to sell additional mortgage bonds. Traditional underwriter: Lee Higginson Corp. Proceeds are to fund bank loans ($1,200,000 at Feb. 28, 1950).

Commercial Credit Co.
March 30 stockholders approved creation of 500,000 shares of cumulative preferred stock (par $100) of which company plans to sell 250,000 shares. A group of underwriters, headed by Kidder, Peabody & Co. and The First Boston Corp., are expected to offer the stock.

● **Consumers Power Co.**
April 21, Justin R. Whiting, President, stated that additional financing of possibly $20,000,000 may be required this year to finance in part construction costs estimated to total about $40,000,000.

Dallas Power & Light Co. (6/10)
May 3 company reported planning sale, probably in June, of $24,500,000 first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; First Boston Corp.; Union Securities Corp.; Peabody & Co.; Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly). Proceeds to refund $16,000,000 3½% first mortgage bonds and to finance expansion.

● **Dayton Power & Light Co.**
April 20, it was revealed that company plans to sell 75,000 shares of preferred stock (par $100) to finance construction, if favorable market conditions prevail. **Underwriters**—Morgan Stanley & Co.; W. E. Hutton & Co. Expected in June.

Denver & Rio Grande Western RR. (5/9)
Bids will be received up to noon (CDT) on May 9 for the purchase from the company of $2,790,000 equipment trust certificates, series P, to be dated June 1, 1950, and to mature over a 15-year period. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Gatineau Power Co.**
May 2, Bartholomew A. Brickley, trustee of International Hydro-Electric System, announced that he has selected Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co., and Harriman Ripley & Co., Inc., as the syndicate for negotiations in connection with the proposed disposition of shares of Gatineau Power Co. stock owned by International in accordance with part two of the trustees second plan. It is expected that at least $5,000,000 of Gatineau stock will be disposed of.

● **Gulf States Utilities Co. (6/13)**
April 27 company applied to FPC for authority to issue $30,000,000 of 30-year first mortgage bonds due June 1, 1980, the proceeds to finance construction costs. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; White, Weld & Co. Expected about June 13.

● **Houston Lighting & Power Co.**
April 14, S. R. Bertron, President, estimated construction expenditures for 1950 between $19,000,000 and $20,000,000. This estimate may be raised to accommodate increased power demands on the system. If this is the case, more financing will be necessary, he added. This may be done through additional common or preferred stock financing.

Indiana & Michigan Electric Co.
Feb. 27 company was reported to be contemplating the issuance and sale of $20,000,000 of 30-year first mortgage bonds about the middle of June, the proceeds to finance construction program. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc. Possible refunding of privately held $22,500,000 3¼% first mortgage bonds is also said to be under consideration.

International Utilities Corp.
April 26 company said to be planning the sale, at par, of $4,000,000 of convertible 4% debentures due 1965 (payable in U. S. funds). Probable underwriter: Butcher & Sherrerd. Proceeds will be for advances to subsidiaries. Early registration expected.

Iowa Electric Co.
March 10 reported that early registration with SEC is expected of an offering of about $18,000,000 preferred and common stocks through a negotiated deal. Probable underwriters: First Boston Corp. and G. H. Walker & Co.

● **Iowa Southern Utilities Co.**
April 26 company said to plan sale of first mortgage bonds to finance part of its $3,200,000 construction program for 1950. Probable underwriter: The First Boston Corp.

● **Kansas City Power & Light Co.**
April 27, H. B. Minsell, President, disclosed that stockholders in June will consider a proposal to increase the debt limit. If increase is approved, company plans to sell $15,000,000 of first mortgage bonds through competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); White, Weld & Co.; Shields & Co. and Central Republic Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Harriman Ripley & Co. Proceeds would be used to finance in part company's $43,000,000 construction program to be completed by 1952.

Lorillard (P.) Co.
April 4, Herbert A. Kent, President, said: "It may be necessary to do some financing" before Aug. 1, 1951 to redeem $6,195,450 of 5% bonds due on that date and for additional working capital to meet expanded sales volume. He added that company plans to pay off its bank loans in full by July, 1950. These loans now amount to $12,000,000. Traditional underwriters: Lehman Bros. and Smith, Barney & Co.

● **Louisiana Power & Light Co.**
May 3 it was announced company plans to issue and sell $9,000,000 of preferred stock, the proceeds to retire approximately $6,000,000 of $6 preferred stock outstanding at $110 per share and the balance to pay for expansion program. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly).

Maine Public Service Co.
April 10 it was announced company plans to issue $1,000,000 mortgage bonds (in addition to 30,000 shares of 5½% preferred stock filed April 24 with SEC), the proceeds to be used for expansion.

Michigan Gas & Electric Co.
March 28 it was announced that company planned to issue (in addition to 12,000 shares of common stock offered common stockholders in that month at $20 per share) $500,000 of first mortgage bonds, series C, and

Continued on page 46

Continued from page 45

2,500 shares of preferred stock (par $100). The proceeds, together with $1,170,000 from other funds, would be used to finance the company's construction program. Bonds may be placed privately. Last issue of preferred stock was offered in 1947 by Otis & Co., Cleveland.

Milwaukee Gas Light Co.
April 18 reported contemplating issuance of additional securities, the proceeds of which will be used to finance $13,000,000 of first 4½s due 1967 and $2,000,000 of 7% preferred stock, to fund some $8,500,000 of bank loans, and for new construction. No definite plan has been evolved. Probable bidders—Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly).

● **Mississippi Power & Light Co.**
May 3 it was announced that company plans to issue and sell $8,500,000 of preferred stock, the proceeds to be used to retire outstanding $6 preferred stock at $110 per share and the balance for construction costs. Probable bidders: W. C. Langley & Co. and First Boston Corp. (jointly). This financing is in addition to proposed issuance of $7,500,000 mortgage bonds (see below).

Montana Power Co.
Dec. 20 reported company may sell in 1950 and 1951 approximately $22,000,000 in new securities, which may include bonds and debentures and possibly some additional common stock. Financing of $10,000,000 or more in bonds may be undertaken in May. The proceeds are to be used for expansion and extension of its gas and electric lines. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.; First Boston Corp.; Lehman Brothers.

● **Mountain States Power Co.**
April 24 it was announced that company plans permanent financing before October to refund bank loans expected to amount to $1,250,000 by July 3. Probable underwriter: Merrill Lynch, Pierce, Fenner & Beane.

Natalie Kalmus Television Corp.
April 19 reported planning offering of 400,000 shares of common stock at $1 per share.

● **New England Power Co.**
April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans are to issue in late summer or early fall $10,000,000 bonds and 50,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stewart & Co. Inc.; Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and White, Weld & Co (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Otis & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; F. S. Moseley & Co.; Equitable Securities Corp.

New England Public Service Co.
April 7 SEC authorized company to file an application to sell 200,000 shares of Public Service Co. of New Hampshire common stock or a sufficient number of shares of Central Maine Power Co. common stock to raise approximately the same amount of money. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; First Boston Corp.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); The proceeds will be used to pay bank loans.

New York Central RR. (6/1)
Feb. 7 reported that offering of $11,100,000 equipment trust certificates is expected early in June. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly).

● **Niagara Mohawk Power Corp.**
April 26, SEC authorized United Corp to dispose of its holdings of 189,263.1 shares of Niagara Mohawk class A stock. It is planned to sell these shares on the New York Stock Exchange or at competitive bidding. Probable bidders: Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. Registration with SEC expected.

Northern Natural Gas Co.
Jan. 20 announced that the company proposes to issue and sell at competitive bidding $40,000,000 of 2¾% 20-year debentures. The net proceeds, together with other funds, will be used to finance the company's construction program. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc; The First Boston Corp.; Kidder, Peabody & Co. Offering expected in June.

Northwestern Bell Telephone Co.
April 17 announced company is preparing to sell $60,000,000 of new debentures at competitive bidding during the first week of June. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To be applied toward redemption of $75,000,000 3¼% debentures due 1979. **Registration**—Expected early this month.

Oswego Falls Corp.
March 20 stockholders approved $500,000 additional first mortgage bonds, which are expected to be issued about May 15.

Pacific Petroleum, Ltd. (Canada)
April 12 company announced it plans to file with SEC 1,000,000 additional shares of common stock shortly. Proceeds (U. S. currency) will be used for further expansion and development work in the Alberta oil field. **Underwriter**—Eastman, Dillon & Co.

● **Pacific Power & Light Co.**
April 13 it was reported company expects to raise $3,000,000 in new money later this year and a similar amount in 1951. Proceeds will finance in part construction program.

Pennsylvania Power & Light Co.
April 17 the stockholders voted to authorize 100,000 additional shares of series prefgerred stock and 12,000 additional shares of 4½% preferred stock. Latter issue is to be offered in exchange, share for share, for present outstanding 4½% preferred stock. It is expected not over 75,000 shares of series preferred stock will be sold in late 1950 or early 1951. **Traditional Underwriters**—First Boston Corp.; Drexel & Co. **Proceeds**—To finance balance of 1950 construction program.

● **Pennsylvania Salt Manufacturing Co.**
April 26 company stated management has considered sale of additional common stock, the proceeds to be added to working capital. Nothing definite decided.

Pittsburgh & Lake Erie RR. (5/18)
April 24 it was reported that the company plans the issuance and sale of $10,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Lehman Brothers. **Bids**—Scheduled for May 18.

Portland General Electric Co.
April 17 company announced that permanent financing to retire bank loans or to provide additional capital funds is planned for 1951 or 1952 and may be accomplished by sale of either bonds or equity securities.

Public Service Co. of Colorado
May 22 stockholders will vote on increasing authorized preferred stock (par $100) from 300,000 shares to 375,000 shares; the additional 75,000 shares, in addition to $7,500,000 debentures are expected to be sold about mid-year. Probable bidders: (1) for preferred: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); First Boston Corp., Boettcher & Co. and Bosworth, Sullivan & Co. (jointly); Lehman Brothers; (2) for debentures: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Smith, Barney & Co. (jointly); First Boston Corp.; Kidder, Peabody & Co.; (3) for both issues: Lehman Brothers; Harris, Hall & Co. (Inc.). Proceeds are to finance expansion.

Public Service Electric & Gas Co.
April 17 stockholders approved the issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.

● **Rochester Telephone Corp.**
April 19 stockholders approved issuance of 300,000 additional shares of common stock (par $10). No immediate financing planned. Traditional underwriter: The First Boston Corp.

● **Rockland Light & Power Co. (6/6)**
April 22 company applied to New York P. S. Commission for authority to issue and sell 50,000 shares of cumulative preferred stock, series A (par $100), at competitive bidding. Probable bidders: W. C. Langley & Co.; Estabrook & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.; Union Securities Corp.; Salomon Bros. & Hutzler. Proceeds to repay bank loans and for construction. Registration with SEC expected around May 8, with bids about June 6.

Schering Corp.
Jan. 26 announced the Alien Property Custodian is preparing to offer at competitive bidding 440,000 shares of common stock (total issue outstanding) in April. Registration with the SEC expected shortly. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.

Seaboard Air Line RR. (5/10)
Feb. 7 directors appointed a committee to proceed with the refunding of the $31,534,500 outstanding 4% first mortgage bonds, provided satisfactory terms could be arranged. Probable bidders include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers; First Boston Corp. and Harriman Ripley & Co. (jointly); Union Securities Corp. **Bids**—For the purchase of $30,000,000 first mortgage bonds, series B, due May 1, 1980, will be received by company at office of Willkie, Owen, Farr, Gallagher & Walton, 15 Broad St., New York 5, N. Y., by noon (EDT) on May 10.

Southern California Edison Co.
March 3 it was reported that company expects to issue this summer $55,000,000 of bonds. Probable bidders: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Shields & Co. Proceeds would be used to refund $30,000,000 3¼% bonds and for construction costs.

● **Southern Ry. Co. (6/15)**
May 2 it was announced company is planning to refund $10,000,000 of its $12,474,000 St. Louis Division first mortgage 4% bonds, due Jan. 1, 1951, by issuing a like amount of new first mortgage bonds. The remaining $2,474,000 of St. Louis Division bonds would be retired from treasury funds. Invitations to bid for the new bonds are expected to be sent out about May 29, calling for bids to be opened June 15.

● **Spencer Chemical Co.**
April 25, Kenneth Spencer, President, said company plans $6,000,000 expansion during next 12 months, to be financed by sale of notes or preferred stock or by disposal of oil and gas interests owned by subsidiary. Glore, Forgan & Co. and Kidder, Peabody & Co. on May 2 offered common stock for account of selling stockholders.

● **Sunray Oil Corp.**
May 1 it was announced that company proposes to sell 750,000 additional shares of common stock in addition to the issuance of 2,700,000 shares of new convertible preferred stock (par $20) in exchange for 900,000 shares of Barnsdall Corp. common stock (of which 800,781 shares are owned by Sunray Oil Corp.), subject to stockholders' approval on June 19. Probable underwriter: Eastman, Dillon & Co.

● **Tampa Electric Co.**
April 25 it was announced company plans to raise $4,700,000 in new money through sale of additional securities, the proceeds to finance in part 1950 construction expenditures.

Texas Hydro-Electric Corp.
April 17 it was announced that company plans sale of $1,400,000 first mortgage 25-year 3¼% bonds and $200,000 15-year 4% sinking fund debentures under its recapitalization and refinancing plan. The proceeds would be used to refund its outstanding first mortgage bonds and to acquire its preferred stock.

● **Texas-Illinois Natural Gas Pipeline Co.**
April 13 it was estimated initial cost of this 1,200-mile pipeline would be approximately $120,000,000 to be financed 75% by bonds, 10% by preferred stock and 15% by common stock. Peoples Gas Light & Coke Co. plans to purchase more than half of the $18,000,000 new common stock. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; (2) for preferred stock—White, Weld & Co.; Glore, Forgan & Co.

● **Texas & Pacific Ry. (5/11)**
May 2 company applied to ICC for authority to issue $2,400,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Harris, Hall & Co. (Inc.); Blair & Co., Inc., L. F. Rothschild & Co. and Schoellkopf, Hutton & Pomeroy, Inc. (jointly); Bankers Trust Co., New York. Bids expected May 11.

Virginia Electric & Power Co.
March 27 it was reported that company may issue next fall $20,000,000 of "new money bonds." Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Kuhn, Loeb & Co.; White, Weld & Co.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler.

Wabash RR. (5/24)
April 25 it was stated that the company plans issuance of $5,220,000 equipment trust certificates to mature over a 15-year period. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Lehman Brothers and Schoellkopf, Hutton & Pomeroy, Inc. (jointly); Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.). **Bids**—Expected to be received May 24.

● **Wisconsin Electric Power Co.**
April 21 company applied to Wisconsin P. S. Commission and on May 1 to the SEC for authority to issue $15,000,000 of first mortgage bonds through competitive bidding and 585,405 shares of additional common stock to common stockholders in ratio of one share for each five held, at a price to be announced later. Common stock offering, which will not be underwritten, will include an oversubscription privilege. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Equitable Securities Corp. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; First Boston Corp.; Union Securities Corp. and Harriman Ripley & Co., Inc. **Proceeds**—To acquire electric properties of Wisconsin Gas & Electric Co., a subsidiary, and for new construction. Expected early in June.

● **Wisconsin Gas & Electric Co.**
April 21 it was announced that company plans to sell $3,500,000 of first mortgage bonds, due 1975. Proceeds, together with funds to be received from sale of electric properties to parent, Wisconsin Electric Power Co., will be used to redeem outstanding $10,500,000 of first mortgage 3½% bonds at 102¾% and 33,425 shares of 4½% preferred stock at $105 per share. Also planned to change name to Wisconsin Natural Gas Co. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane.

● **Wisconsin Power & Light Co.**
April 25 it was announced company has applied to Wisconsin P. S. Commission for authority to issue and sell $8,000,000 of 30-year first mortgage bonds at competitive bidding, $3,900,000 of preferred stock (par $100) and $3,202,310 of additional common stock. The two issues of stock are to be underwritten, probably by Smith, Barney & Co. and Robert W. Baird & Co. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; First Boston Corp.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Lehman Brothers; Glore, Forgan & Co., Harriman Ripley & Co. and Harris, Hall & Co. (Inc.) (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly). The proceeds are to finance construction program.

● **Worcester County Electric Co.**
April 25 company reported planning issuance of $10,000,000 first mortgage bonds. Probable bidders: Harriman Ripley & Co. Inc.; Lehman Brothers.

Our Reporter's Report

Two of the three larger new offerings brought to market this week met with brisk reception, but the third proved a bit laggard, at least in its initial stages.

Despite the lifting, if only temporarily, of pressure on the Treasury's issues, institutions apparently are not in any rush to take on new issues where the yield is much below a 2.70% basis.

At any rate, that appeared to be the indication from the slow response which greeted public offering of $26,000,000 of new first and refunding mortgage bonds of Public Service Electric & Gas Corp.

With five groups seeking the issue there was a spread of only about 35 cents between the highest bid of 101.27 and the lowest, 100.919, all for 2¾% coupon.

And the successful group reoffered at 101¾, less than half a point over the bid, for a yield basis of 2.665%. But institutions were not in any great rush to take down bonds.

Meanwhile American Gas & Electric Co.'s $27,000,000 of serial notes, due 1952-1965 were reported taken up quickly. And an underwriting of 250,000 shares of common stock of Spencer Chemical Co., at $35 a share, was understood to have been spoken for well in advance of actual offering.

The latter was not new financing, but rather represented the sale of shares purchased from certain large stockholders, making it a sizable secondary operation.

Potomac Electric Power

The next substantial piece of new utility financing will be up for bids next Tuesday when Potomac Electric Power Co., Washington, D. C., offers $30,000,000 of new 35-year first mortgage bonds.

Current indications are that at least six syndicates will be in the field for this issue, which together with the offering to shareholders of 710,700 shares of additional common, will provide funds for redemption of $20,000,000 of outstanding 3¼s and bank loans, and additional construction reserve.

A banking group has agreed to take a "standby" position on any unsubscribed stock for public offering.

Three New Issues Shaping

Southern California Gas Co. has registered with SEC to cover projected offering of $25,000,000 of 2⅞% first mortgage 30-year bonds via competitive bidding. Proceeds will reimburse the treasury for expenses covering construction and reduce $5,500,000 debt due Pacific Lighting Corp., parent.

Meanwhile Indiana & Michigan Electric Co. proposes to market $20,000,000 of 30-year first mortgage bonds about the middle of June. This company is a subsidiary of American Gas & Electric.

Groups are forming to bid for an anticipated offering of $10,000,000 of new bonds by New England Power Co., even though this issue is not expected to reach market until late summer or early fall.

Inventories Light

The comparative dullness which has marked the new issue field in recent weeks has evidently had the effect of cutting pretty deeply into unsold securities on dealers' shelves.

At any rate it was calculated as this week opened that only about $18,000,000 of unsold corporate offerings remained undistributed. This does not, of course, include railroad equipment trusts, which were estimated around $35,000,000.

With the Federal Reserve evidently easing the pressure of its foot on the Treasury market there also has been some paring down of unsold municipals although in this category there is still room for considerable improvement.

Current Blue List is calculated just a little above $150,000,000, which represents a drop of around $34,000,000 in the week.

James F. Crum Joins Samuel & Engler Co.

James F. Crum

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — James F. Crum has become associated with Samuel & Engler Company, 16 East Broad Street. Mr. Crum was formerly Vice-President of W. M. Zuber & Co., Inc., and prior thereto was with Vercoe & Co.

Glore, Forgan-Kidder Peabody Group Offers Spencer Chemical Stk.

Glore, Forgan & Co., and Kidder, Peabody & Co. head a group of 70 underwriters which on May 2 offered 250,000 shares of Spencer Chemical Co. common stock at $35 per share.

All of this stock is being purchased by the underwriters from certain stockholders and no part of the proceeds will go to the company.

The company, formed in 1941 to produce heavy chemicals for the Government during the war, has been in commercial operation since 1946. Its chief products are industrial chemicals (synthetic ammonia and methanol and their derivatives), agricultural chemicals (ammonium nitrate fertilizer, Spensol), and carbon dioxide.

Marcus Co. to Admit

Frank J. Hesse will acquire the New York Stock Exchange membership of the late E. S. J. McVickar and will become on May 11 a partner in the Stock Exchange firm of Marcus & Co., 61 Broadway, New York City.

SITUATION WANTED

Southern Investment Banking Houses and/or Southern Banking Trust Departments—Take Notice

Security Analyst—Age 40—available about July 1st. Complete charge portfolio planning; experienced also handling customers and assist developing new business. Excellent New York banking contacts. Good speaker; active civic affairs. Straight salary or salary plus commission. Box G 427, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.

Edward H. Nelson V.-P. Of Clement Evans Co.

ATLANTA, Ga. — Edward H. Nelson, formerly head of the dealers representative department of Kidder, Peabody & Co., New York City, has been elected a Vice-President of Clement A. Evans & Co., Inc., First National Bank Building. He will be in charge of sales and development of new business.

Gilbert Reed Member Of Los Angeles Exch.

LOS ANGELES, Calif.—Gilbert L. Reed, Los Angeles investment man, has been named a member of the Los Angeles Stock Exchange, Exchange Vice-President Thomas P. Phelan announced.

Mr. Reed, who entered the securities field in 1936 as a clerk on the floor of the Los Angeles Stock Exchange, was elected to membership the following year to represent White, Wyeth & Co., where he remained until 1939.

He volunteered for service with the Navy in 1939, where he was commissioned a Flight Ensign. In 1942 he was transferred from active duty and assigned to Douglas Aircraft Company as a test pilot, where he remained until his discharge in 1945.

Returning from the service, he become a representative in the Beverly Hills office of Merrill Lynch, Pierce, Fenner & Beane. In early 1948, Mr. Reed joined the firm of Pledger & Company, Inc., where he remained until April of this year when he became associated with Dempsey-Tegeler & Co.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of seventy-five cents (75c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable June 10, 1950, to the holders of record at the close of business May 15, 1950.

W. J. ROSE, Secretary.

May 3, 1950.

AMERICAN RADIATOR & Standard Sanitary

New York CORPORATION *Pittsburgh*

PREFERRED DIVIDEND
COMMON DIVIDEND

A quarterly dividend of $1.75 per share on the Preferred Stock has been declared payable June 1, 1950, to stockholders of record at the close of business on May 24, 1950.

A dividend of 25 cents per share on the Common Stock has been declared payable June 24, 1950, to stockholders of record at the close of business on June 2, 1950.

JOHN E. KING
Treasurer

ALUMINIUM LIMITED

DIVIDEND NOTICE

On April 27th, 1950, a quarterly dividend of Sixty Cents per share in Canadian currency was declared on the no par value Shares of this Company payable June 5th, 1950, to shareholders of record at the close of business May 5th, 1950.

Montreal J. A. DULLEA,
April 27th, 1950 *Secretary*

Alfred G. Brown Joins Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Alfred G. Brown has become associated with Waddell & Reed, Inc. of Kansas City. Mr. Brown in the past was head of Brown, Schlessman, Owen & Co.

Russell E. Swanson has also been added to the staff of Waddell & Reed, Inc.

Buffalo Bond Club To Hold Outing

BUFFALO, N. Y. — The Bond Club of Buffalo will hold its Spring Party at the Wanakah Country Club, on Friday, June 2.

DIVIDEND NOTICES

Borden's

DIVIDEND No. 161

An interim dividend of sixty cents (60¢) per share has been declared on the capital stock of *The Borden Company*, payable June 1, 1950, to stockholders of record at the close of business May 11, 1950.

E. L. NOETZEL
April 25, 1950 *Treasurer*

B. T. Babbitt INC.

86th CONSECUTIVE QUARTERLY DIVIDEND

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 30c per share on the Common Stock of the Company, payable on July 1, 1950 to stockholders of record at the close of business on June 9, 1950.

LEO W. GEISMAR, *Treasurer.*

May 1, 1950

EATON MANUFACTURING COMPANY
Cleveland 10, Ohio

DIVIDEND No. 105

The Board of Directors of Eaton Manufacturing Company has declared a dividend of Fifty Cents (50¢) per share on the 1,792,520 $2.00 par value common shares of the Company issued and outstanding, payable May 25, 1950, to shareholders of record at the close of business, May 9, 1950.

Declared on H. C. STUESSY
April 28, 1950 *Secretary*

THE FLINTKOTE COMPANY

30 ROCKEFELLER PLAZA NEW YORK 20, N. Y.

A quarterly dividend of $1.00 per share has been declared on the **$4 Cumulative Preferred Stock** payable June 15, 1950 to stockholders of record at the close of business June 1, 1950.

A quarterly dividend of $.50 per share has been declared on the **Common Stock** payable June 10, 1950, to stockholders of record at the close of business May 27, 1950.

CLIFTON W. GREGG,
Vice-President and Treasurer

May 3, 1950

With Euler & Hart

PHILADELPHIA, Pa.—Euler & Hart, Land Title Building, announces the association with them of David F. Warren.

Joins A. M. Kidder Co.

ST. PETERSBURG, Fla.—William R. Dickson has become affiliated with A. M. Kidder & Co., 400 Beach Drive North.

DIVIDEND NOTICES

A semi-annual dividend of 70c per share on the Capital Stock, par value $13.50 per share, has been declared, payable June 30, 1950, to stockholders of record May 31, 1950.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer
April 25, 1950 Philadelphia, Pa.

DIVIDEND NO. 42

Hudson Bay Mining and Smelting Co., Limited

A Dividend of one dollar ($1.00) (Canadian) per share has been declared on the Capital Stock of this Company, payable June 12, 1950, to shareholders of record at the close of business on May 12, 1950.

H. E. DODGE, *Treasurer.*

LOEW'S INCORPORATED

MGM PICTURES · THEATRES · MGM RECORDS

May 3, 1950

The Board of Directors has declared a quarterly dividend of 37½c per share on the outstanding Common Stock of the Company, payable on June 30, 1950, to stockholders of record at the close of business on June 13, 1950. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

The Board of Directors of the
STANDARD OIL COMPANY
(Incorporated in New Jersey)

has this day declared a cash dividend on the capital stock of $1.00 per share. This dividend will be payable June 12, 1950 to stockholders of record at the close of business, three o'clock, P.M., on May 11, 1950.

Checks will be mailed.

A. C. MINTON, Secretary

May 1, 1950.

VANADIUM CORPORATION OF AMERICA

420 Lexington Avenue, New York 17

Dividend Notice

At a meeting of the Board of Directors held today, a dividend of thirty cents per share was declared on the common stock of the Corporation, payable May 18, 1950, to stockholders of record at 3:00 o'clock p. m., May 5, 1950. Checks will be mailed.

B. O. BRAND, Secretary.

Dated April 24, 1950.

IOWA SOUTHERN UTILITIES COMPANY of Delaware

Dividend Notice

The Board of Directors has declared the following dividends:

41¼ cents per share on its 5½% Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

both dividends payable June 1, 1950, to stockholders of record May 15, 1950.

EDWARD L. SHUTTS,
President.

May 1, 1950.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Any thought that the Reconstruction Finance Corp. will be killed off is distinctly premature at this stage. It is likely that this "temporary" agency will be doing business at the corner of Vermont and H Streets, N.W., for some years to come.

There has been a lot of loose speculation about the troubles the RFC is having with Congress. These have arisen in part because of the criticisms of the Texmass loan by the Comptroller General before the Fulbright subcommittee of the Banking committee. This speculation has been given a further push because Jesse Jones, for so long its boss, has now disowned the child, now that Mr. Jones is reveling completely in the joys of the private enterprise system.

To understand why there probably will be many happy returns for the RFC, it is necessary to understand a lot of things about the agency that few know.

For one thing, the RFC is the agency to which nearly every Congressman sometimes turns when one of the constituents who is in business runs into trouble, particularly the "little" businessman. RFC is always willing to extend a helping hand. The helping hand, however, does not necessarily, and usually does not mean, a loan. RFC will assign its men to look into the troubles of the Congressman's constituent.

Out of this analysis of the constituent's troubles, RFC often can find a way out. This way might merely be good business, legal, or accounting advice. If the business is sound and merits credit, credit that can stand the hard scrutiny of banks, RFC can often find the lender. Ever so often RFC shows the businessman in trouble how if he does so and so instead of such and such, and changes this here and puts that there, he can put himself in a way of making the business pay.

This naturally pleases the Congressmen. Incidentally, RFC unlike the greatest majority of government agencies, is exceedingly backward about soliciting newspaper and magazine publicity, but these bits of faith and good works please the Congressmen who are the parties that count.

On the other hand, it more often than not works out that after a check into the business of the Congressman's constituent, it is found that the outlook is hopeless for that business. In such a case RFC spells out its report to the Congressman so indelibly that not even a Congressman has the heart to put in a further plug for the constituent, and he is satisfied to let the sheriff take over.

All of this is done with a minimum outlay of public funds in the form of loans, and involves only the employment of the technical, legal and engineering staff of the agency.

Another explanation for the durability of the RFC is that it is at least politically one of the smartest agencies in town.

One of the most striking manifestations of its political astuteness is that it takes the long look ahead, and doesn't try to grab on to immediate political advantage. Thus, for instance, it fought all the left-wingers who were hot for housing, and defied the Administration's demand that it sink a lot of the Treasury's dough in Lustron. Finally, under orders from the White House and under a law which made it possible for the White House to issue such an order, it kicked in $15 million into Lustron. After that it raised the ante from time to time until the total pot was $37 million—in a doubtful effort to make the thing pay.

Finally, after shooting this wad, RFC decided that it was time to quit the game. Of course the "liberals" had long crying sessions in open hearing and in closed meeting, trying to persuade the RFC to continue to hold up Lustron. This RFC refused to do without certain important changes being made that in its judgment would make it possible for the business to pay.

If RFC were playing for the short pull, it would have tried, like a typical government agency, to climb on the bandwagon of every new "Fair Deal" cause. It would have been in there pitching for legislation to allow it to handle "loans" to achieve every White House-"liberal" objective that could have been promoted by loans.

Instead RFC knew better. It did not even try to get a cut of the Small Business Lending racket that the White House endorsed at the opening of the 1950 session, and stood aloof when such men as the Senate Majority Leader, Senator Scott Lucas, proposed that RFC make what in effect would be unsecured character loans to small businessmen.

RFC knows better because it knows that there is a certain solid core, very much limited in scope, of business it can handle, a certain limited amount of small business plus credit assistance to bigger businesses, that while having a hard time, show a pretty good chance of working out.

RFC has operated on the principle that there are conservatives as well as left-wingers in Congress, and it had better go neither radical nor ultraconservative. In this way it pleases neither extreme very much, but is left alone, and, keeping out of the limelight as much as possible, is not noticed too much.

There is an even more fundamental reason, however, for the vitality of RFC. Conservatives, of course, dislike in principle the idea of a government agency which can lend public funds to business in good times. There is a broad recognition, however, that if RFC were done in, there would evaporate one of the best excuses for avoiding an even greater government adventure of credit in business. As long as the RFC is around, it can always be said that "there is something" that partially fills the bill.

As for RFC, its main interest in life is to keep the body alive against the day of another depression. Its staff has been reduced to a mere nucleus of the bureaucracy which existed in the prewar and war days. But RCF is confident that at the first sign of a recession its present little hot dog stand can be converted, so to speak, into a real park and shop area.

* * *

With the decision of the House Appropriations Committee to increase military expenditures above the amount originally recommended by the committee, the economy drive in the House has now completely collapsed. The committee probably will restore over $200 million of cuts it recommended in its bill, and add the $350 million recommended by Defense Secretary Johnson for Air Force and Navy aircraft, and for Navy ships.

It has been estimated by people in the know that about half the $900 million to $1 billion of cuts first recommended by the committee were of doubtful validity, in that they recommended appropriation curtailments that would have to be made good next year in "urgent deficiencies."

Thus by adding nearly $600 million to the omnibus appropriations bill, the committee has for all practical purposes scored a complete failure in its proudly announced drive to reduce appropriations so that Federal expenditures in fiscal 1951 would fall below the $42.4 billions recommended by the President.

This means that the last chance of economy lies in the Senate. Ordinarily the Senate increases appropriations over House totals, so that unless economy unexpectedly takes hold in the Senate, expenditures in fiscal 1951 will be even greater than budgeted by Mr. Truman.

At the same time, informed Congressmen report that the Administration does not quarrel with the forecast of a reduction in each of the present and next fiscal years, of $1 billion of Treasury revenues below White House estimates, the forecast being made by the Joint Committee on Internal Revenue staff.

While for the present year expenditures may fall by about $1 billion below estimates to offset the revenues drop this year, next year the deficit should easily exceed the $7.3 billion estimated by the Joint Committee staff.

* * *

For 1950, the Kilgore bill appears to be a dead letter. This is the bill which would restore the coal price fixing which prevailed in the days of the Guffey Coal Act and before that, under the NRA.

For 1951 or 1952, however, the Kilgore bill cannot be counted out unless the expected curtailment in coal consumption fails to materialize. The basic idea of the Kilgore bill is the old NRA idea of holding up prices so that inefficient mines can be kept in business and the low-cost efficient producers can be held down to a proportionate share of the market.

The trouble in coal is not deep enough, for the present, to make it possible to get the Kilgore bill enacted this year, it is reported.

On the other hand, if any large number of mines close down the Congress probably will rush to pass such a bill to "save" the coal miners. If Congress does not rush fast enough, the United Mine Workers probably would give them a little push. Thus, it is recalled that when the Supreme Court in 1935 outlawed NRA, the UMW "struck against Congress."

The UMW just couldn't reach an agreement in that year with operators on wages. However, the word was slipped out that if Congress enacted the Guffey Act, which was the reenactment of NRA for the coal industry alone, that the strike would be settled. Congress capitulated. It enacted the Guffey Coal Act. The coal strike of 1935 was settled.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Cheer up, B. O., maybe business will get worse soon!"

Massachusetts Expands Competitive Bidding Financing Statute

The Massachusetts law providing for sale at competitive bidding of gas and electric company securities has been amended to include debentures and notes in excess of $1,000,000 and maturing later than five years. Previously the requirement was limited to bond issues. The amended bill has just been signed by Governor Paul A. Dever.